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EXTENSION OF THE TARGETED JOBS TAX CREDIT

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HEARING

BEFORE THE

SUBCOMMITTEE ON
SELECT REVENUE MEASURES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

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EXTENSION OF THE TARGETED JOBS TAX CREDIT

TUESDAY, MARCH 19, 1985

House of Representatives,
Committee on Ways and Means,
Subcommittee on Select Revenue Measures,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room B-318, Rayburn House Office Building, Hon. Ronnie G. Flippo presiding.

[The press release announcing the hearing follows:]

[For immediate release, Wednesday, Feb. 27, 1985]

The Honorable Charles B. Rangel (D., N.Y.), Chairman, Subcommittee on Select Revenue, Measures, Committee on Ways and Means, U.S. House of Representatives, Announces a Public Hearing on the Extension of the Targeted Jobs Tax Credit

The Honorable Charles B. Rangel (D., N.Y.), Chairman, Subcommittee on Select Revenue Measures, Committee on Ways and Means, U.S. House of Representatives, announces a public hearing on the extension of the targeted jobs tax credit. The hearing will be held on Tuesday, March 12, 1985, at 9:30 a.m. in 1100 Longworth House Office Building, the Committee's main hearing room.

In announcing this hearing, Chairman Rangel stated, "In view of its year-end expiration, it is appropriate to begin examining this provision at this time so that a fair assessment of the credit can be made. Congress extended the credit last year in the belief that an additional year would provide the Congress and the Treasury Department with more information to assess the effectiveness of the credit as a hiring incentive."

BACKGROUND

The targeted jobs tax credit (Code section 51) was enacted in the Revenue Act of 1978 (Public Law 95-600) to replace the expiring credit for increase employment (the "new jobs credit"). As originally enacted, the targeted jobs credit was available for wages paid before 1982. The availability of the credit was successively extended by the Economic Recovery Tax Act of 1981 (Public Law 97-34), the Tax Equity and Fiscal Responsiblity Tax Act of 1981 (Public Law 98-248), and the Deficit Reduction Act of 1984 (Public Law 98-369) so that it may now be claimed by an employer for qualified wages paid for services performed in 1986 and 1987 to individuals who begin work for the employer before 1986.

The targeted jobs tax credit is available on an elective basis for hiring individuals from one or more of nine targeted groups. The targeted groups are (1) vocational rehabilitation referrals; (2) economically disadvantaged youths; (3) economically disadvantaged Vietnam-era veterans; (4) Supplemental Security Income (SSI) recipients; (5) general assistance recipients; (6) economically disadvantaged cooperative education students; (7) economically disadvantaged former convicts; (8) Aid to Families with Dependent Children (AFDC) recipients and Work Incentive Program (WIN) registrants; and (9) economically disadvantaged summer youth employees.

The credit generally is equal to 50 percent of the first $6,000 of qualified first-year wages and 25 percent of the first $6,000 of qualified second-year wages paid to a member of a targeted group. Thus, the maximum credit is $3,000 per individual in the first year of employment and $1,500 per individual in the second year of employment. With respect to economically disadvantaged summer youth employees, however, the credit is equal to 85 percent of up to $3,000 of wages for a maximum credit for $2,550. The employer's deduction for wages must be reduced by the amount of the credit.

H.R. 983 has been introduced by Messrs. Rangel, Wheat and Campbell to extend the credit through December 31, 1990, to increase the amount of wages eligible for the credit from $6,000 to $10,000 and to liberalize the definition of economically disadvantaged families.

The Subcommittee is particularly interested in testimony providing information on how effective the credit has been in reducing unemployment in the targeted groups.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony before the Subcommittee must submit their requests to be heard by telephone to Harriett Lawler [(202) 225-3627] no later than Wednesday, March 6, 1985, to be followed by a formal written request to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. Notification to those scheduled to appear will be made by telephone as soon as possible after the filing deadline.

It is urged that persons and organizations having a common position make every effort to designate one spokesman to represent them in order for the Subcommittee to hear as many points of view as possible. Time for oral presentations will be strictly limited with the understanding that a more detailed statement may be included in the printed record of the hearing. This process will afford more time for members to question witnesses. In addition, witnesses may be grouped as panelists with strict time limitations for each panelist.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 100 copies of their prepared statements to the Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to comply with this requirement may result in the witness being denied the opportunity to testify in person.

Requests to be heard, prepared statements to be presented in person, and statements filed for the printed record of the hearing, must contain the following information:

1. The name, full address, and capacity in which the witness will appear, as well as a telephone number where the witness or a designated representative may be reached;
2. A list of any clients or persons, or any organization for whom the witness appears; and
3. A topical outline or summary of comments and recommendations.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting written statements for the printed record of the hearing should submit at least six (6) copies by the close of business, Tuesday, March 26, 1985, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515 (See other requirements enumerated above.). If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may provide 100 additional copies for this purpose to the Committee office before the hearing begins.

Mr. **Flippo**. The subcommittee will come to order. I might tell you that Mr. Rangel will probably be joining us soon. He's having to give testimony in the area of drug prevention this morning which he has great interest. But he asked me to kick this off this morning, and he'll be joining us as soon as he possibly can.

Today the subcommittee is considering the operation and effectiveness of the targeted jobs tax credit, which, as you know expires at the end of this year. It was most recently extended by the Deficit Reduction Act of 1984 in anticipation of the availability of additional information upon which to evaluate the deficiency and effectiveness of the credit.

It's probably too optimistic to think that such information of the quality that Congress needs to make an informed decision has been collected within the months since we passed that program. But the year-end expiration of the credit requires that the subcommittee begin its examination of the credit to determine in a timely fashion whether it merits extension or modification.

The chairman of this subcommittee, our colleague, Mr. Rangel has introduced legislation to extend the credit for 5 years to increase the eligibility of wages and literalize the definition of economically disadvantaged families.

The subcommittee is looking forward to taking testimony on the credit generally, but it is particularly interested in how the credit might fit into various proposals for tax simplification and reform and other issues of concern to the subcommittee which include whether the credit continues to represent a windfall to employers in light of elimination of retroactive certification, and whether the credit causes displacement of existing workers, if the target group member retained their jobs or advanced into better paying jobs when the credit is no longer available, and whether unemployment in the target groups has been reduced by the utilization of the credit.

The subcommittee has scheduled a large number of witnesses today, and it will be appreciated if witnesses will limit their testimony to 5 minutes.

Without objection, the press release announcing this hearing will be made a part of the record. I believe Mr. Campbell has a brief opening statement.

Mr. Campbell. Thank you very much, Mr. Chairman.

I am delighted to sponsor, along with Mr. Rangel and others, the legislation to extend the targeted jobs tax credit. The targeted jobs tax credit reflects a compliment to the idea that when severe barriers exist to employees, interception should be carried out to the extent possible through the private sector.

In this sense the targeted jobs tax credit, which operates with minimum bureaucracy through the tax system, is a superior approach to the form of CETA public works jobs program which was costly and relatively untargeted. The TJTC also gives us the means of balancing the subsidized on-the-job training approach to the Job Training Partnership Act with a private sector tax incentive so that when we have a policy choice between these two approaches, we can use the most cost effective in particular circumstances.

However, if funds for the TJTC continue to be limited, it is important to have a safety valve which targets our limited resources on the most seriously disadvantaged worker. Considering the high rate of youth unemployment and the serious barriers to the employability experience by the other target groups, handicapped workers, welfare recipients, disadvantaged Vietnam veterans, and other people in this group, it is evident that TJTC should be given priority consideration as are other programs considered in part of a safety net.

Since workers who obtain jobs leave the welfare roles and become tax paying citizens, the tax credit is undoubtedly the most cost effective of any major Federal jobs program. This is evident by this year's budget. In fiscal 1984, it cost the treasury $330 million while placing 563,000 disadvantaged workers in jobs. The average cost per placement comes to $586, which compares favorably to an approximate cost of $2,500 per job under JTPA and an even higher cost under the CETA programs.

While I support other means of dealing with problems, such as enterprise zones and the JTPA, I believe the targeted jobs tax credit must be extended and for a significant period of time in order to allow an adequate planning period.

I appreciate the opportunity to make the statement, Mr. Chairman. I look forward to participating in this hearing.

Mr. **Flippo**. Thank you.

Mr. Anthony.

Mr. **Anthony**. Thank you, Mr. Chairman.

I have quickly gone through Treasury's testimony, and I see that their conclusion is that they oppose H.R. 983 or any extension of the TJTC Program because of the cost. I was just quickly trying to go over with staff to recapture what the administration is supporting in its budget document sent to the Congress. I would like Treasury to at least address in some way why they're willing to say they can support R&D tax credit, enterprise zone credit, tuition tax credit, education, dependent care, and I think there may have been one or two others in there, to the tune of about $7.7 billion. Yet one that tries to lower the unemployment rate is one that they choose to come in and ignore.

I'm personally interested in hearing the justification between the various programs. Thank you, Mr. Chairman.

Mr. **Flippo**. Thank you.

Our first witness this morning, we're delighted to have the distinguished Senator from Pennsylvania, Mr. Heinz.

Welcome to our subcommittee. Please proceed.

STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator **Heinz**. Thank you very much.

Let me commend you, Mr. Chairman, on holding these hearings. Also Chairman Rangel and the other members of the committee that have indicated their support for an extension of the Targeted Jobs Tax Credit Programs, Mr. Anthony, Mr. Campbell, Pete Stark, and others.

I am pleased to have this opportunity to testify on a program that I've had considerable involvement with on the Senate side. As was mentioned earlier, Congressman Rangel has introduced H.R. 983 and I'll be introducing similar legislation in the next 2 weeks.

We're both seeking a 5-year extension of the targeted jobs tax credit. Mr. Rangel and I, share a long time conviction that TJTC offers a genuine way out of poverty and underemployment for the disadvantaged. We have worked together on many occasions in the past to obtain the extensions of this program. I do look forward to working with Chairman Rangel again on this.

I think that the Targeted Jobs Tax Credit Program is a unique program. It doesn't have an expensive Government agency running it. There is not a lot of Government redtape. Instead, as Congressman Campbell pointed out in his statement, we offer financial incentives in the form of a tax credit to employers to hire individuals from the targeted group or groups.

Those groups consist of the vocational rehabilitated, handicapped person, disadvantaged youths between the ages of 18 and 24, a number of Vietnam veterans, ex-convicts, general recipients, SSI recipients, and economically disadvantaged summer youth employees. These targeted individuals receive vouchers from the local Federal Government officers, and an employee who hires a vouchered person is entitled to a tax credit which is generally equal to 50 percent of the first $6,000 of the first year's wages.

To the business person that can mean a maximum credit of $3,000 per individual. Smart business persons have learned to use the targeted jobs tax credit to their advantage. And at the same time the credit provides a tremendous advantage for the targeted groups.

Over the last 5 years that I've been working with this program—and we've tried to modify it, improve it, change it, update it, on numerous occasions successfully—I've talked with a lot of the business people who use this program. And I have held hearings and talked with the individuals who have found meaningful employment as a result of this program. And in sum I guess what I've learned is that it really works.

What we see is that it offers a way out of poverty and joblessness for people who lack money, skills, and experience, and who can't effectively compete in the job market. There is specific evidence to back that up.

The studies now being conducted on the effectiveness of the targeted tax job credit, including the recently concluded CRS study which I have here, back up the conclusion that the incentives that we give not only get people hired, but that those people go on to become self-sufficient and earn their way through our system.

By the way, on the CRS study, I think it is significant that they point out that compared to the United States, other nations rely more upon wage subsidies to promote targeted job creation in the private sector. The only program now operating in the United States—and I'm quoting—that offers private firms a subsidy to hire members of specially targeted groups is the targeted jobs tax credit.

Mr. Chairman, these studies and others like them prove the worth of the program. But let me give you one—and it is not an atypical example—of a particular individual's experience of the program that best shows the tax credits impact.

Louis Low of Hanover, PA, fit into the targeted group of disadvantaged youths between 18 and 24. He was hired under this program by Keystone Co, Inc., at a starting salary of $5.25 per hour. His employer says that the targeted jobs tax credit was a major factor in the decision to hire Louie.

Seven months after starting work, this individual, who had practically no employment history prior to this, has already earned one raise and is in line for a promotion to machinery maintenance supervisor.

Mr. Chairman, I have in our files, my personal files, and in the committee files of the Senate Committee on Finance literally dozens of similar examples, people who were hired because of this program.

One woman who appeared at my Harrisburg hearing roughly 18 months ago had been to 21 job interviews prior to being vouchered for this program, never got a job offer. She became vouchered and on her second interview after that, her 23d in about 2 years, she was hired. She had been on the job I guess for 6 or 8 months at the time she appeared at our hearing. She was considered by her employer a model employee. And you can just multiply that story by tens of thousands to get some idea of the success of this program.

Mr. Chairman, let me ask unanimous consent that the balance of my statement be placed in the record as if given in full.

I want to conclude by stating that I commend the committee on their interest in this program. I do urge you to extend it for 5 years to give it the continuity and stability that it really needs if it is going to do the job that it can do.

[The prepared statement follows:]

STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

I am pleased to have this opportunity to testify before this committee on the importance of extended Targeted Jobs Tax Credit.

Congressman Rangel has introduced H.R. 983 and I will be introducing similar legislation within the next two weeks. We are both seeking a 5 year extension of T.J.T.C. Mr. Rangel and I share a long time conviction that T.J.T.C. offers a way out of poverty for the disadvantaged, and we have worked together to obtain each extension. I look forward to working with him again on the extension of this important program.

T.J.T.C. is a unique jobs program. It doesn't have an expensive government agency running it. Nor is there a lot of government red tape. Rather, T.J.T.C. offers financial incentives in the form of tax credits to employers who hire individuals from the "Targeted Group."

The targeted group consists of vocationally rehabilitated handicapped persons, disadvantaged youths between the ages of 18 and 24, a number of Vietnam Veterans, ex-convicts, general assistance recipients, supplemental security income recipients, and economically disadvantaged summer youth employees. These targeted individuals receive vouchers from local Federal Government offices. An employer who hires a vouchered person is entitled to a tax credit, which is generally equal to 50% of the first $6,000 of the first year's wages. To the business person that can mean a maximum credit of $3,000 per individual. Smart business persons have learned to use the T.J.T.C. credit to their advantage; at the same time, the credit provides a tremendous benefit for the "targeted groups."

During the last 5 years, I have held numerous hearings on T.J.T.C.; I have talked with the businessmen who are now using T.J.T.C.; and I have talked with the individuals who have found meaningful employment as a result of T.J.T.C. From all these meetings and hearings—both in Washington and Pennsylvania—I learned that T.J.T.C. is an effective program, a program that works.

T.J.T.C. offers a way out of poverty and joblessness for people who, for lack of money, skills and experience, cannot compete effectively in the job market. T.J.T.C. provides the incentive to hire these individuals, thus giving these disadvantaged and, often, discriminated-against people a chance to help themselves. TJTC increases employment, decreases federal spending under entitlement programs, and results in more taxpaying citizens.

Studies are now being conducted on the effectiveness of T.J.T.C.—including the recently concluded C.R.S. study which I am currently reviewing.

These studies are vital to prove the worth of T.J.T.C.'s. But one example of an individual's experience with the program best shows T.J.T.C.'s impact. Louis Lowe of Hanover, Pennsylvania fit in the targeted group of disadvantaged youths between 18 and 24. He was hired by Keystone Seneco, Inc. at a starting salary of $5.25 per hour. His employer says T.J.T.C. was a major factor in the decision to hire Louis.

Seven months after starting work, Louis has already earned one raise and is in line for a promotion to machinery maintenance supervisor.

Without a long term extension, the credit cannot and will not reach maximum efficiency and will eventually die. The program needs continuity, and permanence. More businesses need to learn how the program works. A five year extension provides the stability necessary to enable employers to make longer range plans to increase their use of the tax credit.

The five year extension of the Targeted Jobs Tax Credit program is very important to this country as a means of spurring employment and training for those people who have traditionally found it difficult to get jobs. It is a way out of poverty and joblessness for those people who, for a lack of money, skills, and experience, cannot compete effectively in the job market. Rather than suffer the ignominies of joblessness and lifelong underemployment, TJTC provides the incentives to hire these individuals, thus giving these low-income people a chance to help themselves and avoid the trap of welfare dependence. TJTC increases employment, deceases federal spending under entitlement programs, and results in more tax-paying citizens.

I urge that this committee support a 5 year extension of TJTC.

Thank you.

Mr. FLIPPO. Thank you very much, Senator. And this committee looks forward to working with you. Thank you very much for your testimony.

Our next witness is the distinguished colleague from California, Mr. Stark.

Mr. Chairman, it's good to have you with us. Proceed as you deem appropriate.

STATEMENT OF HON. FORTNEY H. (PETE) STARK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. STARK. Mr. Chairman, thank you very much. I have an outstanding bit of testimony here which I would ask unanimous consent to be included in its entirety in the record.

Mr. FLIPPO. It will be included.

Mr. STARK. And I will try in whatever way I am able to summarize for you the few pearls of wisdom that my staff created in this wonderful testimony.

As you may recall, I was lukewarm to cautious about this program last year. But I am now a convert. And them is the worst kind I guess.

I hope that we can extend this program. I do not like tax credits, as most of my colleagues on this committee know, they're inefficient. And as the Treasury will try to con you into believing, they often reward people for doing what they would do anyway. But I dislike these tax credits least because they do help pretty directly those of us in our society who are most hapless.

I support the continuation of the job credits because of the cuts being made in other spending programs at a time of that I think most people consider unemployment unacceptably high. This has become almost the only game in town. It is certifiably the most help to the most disadvantaged and handicapped in our society.

The data which is coming in from various researchers who would appear to not have a bias—and I do not include the Treasury in that—is supportive. It's more cost effective in helping the disadvantaged than a variety of direct spending programs. And it has the benefit of creating some jobs that move people up out of poverty. More data will be available next spring when the Department of Labor study is completed.

There is noticeable amount of foot dragging in a variety of departments that we've all come across. It seems to me that the reports are coming most slowly on those projects which the administration dislikes the most. There's almost a direct correlation there.

But the key question is how can we be considering it when the deficits are so huge? And I make the following suggestions only half facetiously. The real solution to this problem is let's just change the name to Enterprise Zones for People.

The President's budget assumes revenue loss of interest price loans for just about the same amount as it would cost us to continue the targeted tax credit. So if we pass this legislation, we can skip over enterprise zones. The President won't know the difference, and we will just hire the poor without the foolish rules of the enterprise zones.

It would avoid discriminating against people on the basis of where they work, and rather than set up pork barrels around the country, it helps the poor. So all you have to do is change the name and your budget problems disappear.

And even if you do not change the name, there are some things you can do to tighten and improve the program which make it less costly. There needs to be administrative reform.

Labor has boycotted these hearings. It's worthy of a separate oversight hearing just to have them up here and go through the really serious employment service administrative questions. If you'll look in my testimony, we outline some areas where people have just had disgusting results in calling the employment services and receiving wrong answers.

Now, many employers are not sophisticated. They're not General Motors, they're small employees looking to do what's right and get a little bit of help under this program. And they get flim-flammed by the Department of Labor. And I think that's something that we should call them up short on and say, if the program was right, if the legislation was correct, then, damn it, they ought to carry it out in the intention of Congress.

I know that the head of the Department of Labor has been occupied with other interests lately. And we may now have a new one who is not troubled with other kind of organized activities. And we ought to get some satisfaction from them.

We should not make the program more expensive. If we do, we should find offsetting savings. We all know what the pressures are in the budget here.

I think we could—and I would offer some suggestions—we can cut the percentage rate of the credit without hurting the program. You might try a 40-percent credit the first year and, to encourage retention, move it up by part of the amount in the the first year, and stretch this out into the second year.

Some of the witnesses last year said that the targeted jobs workers is only 12 to 4 percent less productive than the non-TJTC workers when they started. So the average was estimated between 7 and 10 percent. With an effect of 27-percent credit, it is clear that we offset those losses. But there is some room to adjust it. I would urge you to find a way to make the second year more attractive.

Again, in my complete testimony I've outlined several ways we could encourage retention and the job growth that comes with it.

You might want to do something to encourage employment of more people at more than the minimum wage. And I've outlined a couple of areas that would cost us no more but would make the program somewhat more attractive at jobs somewhat above the minimum wage.

Also in anticipation—and I do not mean to be coy about this—if the administration is pushing for a subminimum wage for teenagers, there's a way we could perhaps make this program a little less expensive, and we could anticipate or trigger a change in the credit. Although I'm not sure we want to encourage subminimum wage employment under this program.

Also there are some comments in my full testimony to try and make this more attractive to our friends in organized labor. I know that this is not entirely a popular program. But in summer it has worked, it is a direct and, I think, low-cost way in spite of what the Treasury says.

I did allude to the fact that Treasury's revenue figures weren't accurate. In my written testimony I describe some people from the public sector who asked for information under the Freedom of Information Act, and the minute they made the request the Treasury changed their revenue estimates.

Those revenue estimates I would submit are flaky at best and highly subjective. I would not take them as unbiased. I would certainly balance them off against other credible revenue estimators made by other parties.

This is a good program. I hope that this committee will encourage and recommend its continuation, and work to make it more efficient. And I urge you to proceed with all diligence to report out the bill before you.

[The prepared statement follows:]

STATEMENT OF HON. FORTNEY H. (PETE) STARK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman; it is a pleasure to appear here on your legislation.

As you know, I was very cautious about the TJTC program last year, because of the terrible lack of information about the effectiveness of the program. I was also suspicious about the program, because of pre-1981 abuses. However, during the past year, I tried to initiate or speed up a number of studies, and I think we are in a somewhat better position to evaluate this tax expenditure program.

But I am now a supporter, and hope that this program can be extended, at least until such time as there is comprehensive tax reform and simplification.

I do not like tax credits. They are inefficient and often reward people for doing what they would do anyway. But I dislike least the tax credits which end up helping those in our society who are the most hapless. And that is what TJTC does.

Everywhere around us, the social safety net is being ripped apart. Job creation and training programs have gone from about $3 billion (in 1983 constant dollars) in the late 1960's to about $14 billion in the late '70's and are now falling back below the $3 billion level. The President wants to abolish the Job Corps, cut funding for JTPA, eliminate TJTC, stop UI benefits for the long-term unemployed, and force welfare recipients back to work. We never won many battles in the War on Poverty, but I never thought we would abjectly surrender—which is what the President's proposals do.

The President is willing to accept the fact of a permanent underclass.

I am not.

I support continuation of TJTC, because

(1) of the cuts being made in the direct spending programs at a time of unacceptability high unemployment. TJTC has become almost the only game in town, and to abandon it is to abandon the most disadvantaged and handicapped in our society;

(I would also note that to end the TJTC program is likely to have a serious but little understood impact on whatever effectiveness the TJTC program has. I am told that somewhere between 4 and 20% of TJTC job placements are done with TJTC vouchers. JTPA's placement rate will decline when TJTC ends.)

(2) the data which is coming in from various researchers and the Library of Congress is supportive: the program is much more cost effective in helping the disadvantaged than are various direct spending programs, and it does have the added benefit of creating some jobs and moving people up out of poverty.

Much more data will be available next spring, when the large DOL-funded study is completed. It seems a particular waste to eliminate this program before the results of that report are available. It is DOL's fault that data is not available now. They have been years late in giving us the information we mandated. This data (which is described in my Attachment A) should provide, once and for all, a definitive statement on the worth and costs of this program.

The key question about TJTC is how can we be considering it when the deficits are so huge and the need is to stay within budget? I make the following suggestion only half facetiously: why don't we change the title of this program to Enterprise Zones for People? The President's budget assumes revenue losses for Enterprise Zones of about the same amount as the cost of continuing TJTC. Passage of this legislation would then be consistent with the President's budget. And TJTC has aspects of the Enterprise Zone concept—hiring poor people—without the goofy results of Enterprise Zones. It avoids discriminating against people on the basis of where they work. Rather than setting up pork barrel zones around the country, it helps the handicapped, the ex-convict, the poor person regardless of his place of employment. All you have to do, Mr. Chairman, is change the name, and you have no budget problems whatsoever!

Even if you don't change the name, there are some things you can do to tighten and improve the program which will make it less costly, and I would urge some reforms on you, which I will discuss later.

First, let me say that the costs of this program have clearly been overstated, by both Treasury and the Joint Committee on Taxation. Mr. Paul Suplizio tried for nearly a year under the Freedom of Information Act to get the background of Treasury's revenue calculations. I supported his efforts—and I see why Treasury didn't want to give them out. They were grossly overstated. Treasury has now drastically reduced the cost estimates. Mr. Suplizio's testimony before this Subcommittee of last year [page 160], Mr. David Robison of the Committee for Employment Opportunities [page 114] both showed that the costs are much lower than Treasury said. I would also like to include in the Record a recent Congressional Research Service memo showing that TJTC is probably much more cost-effective than other types of "training for the disadvantaged" programs.

I would also note that the Treasury does not give us credit for reduced UI, welfare and other social spending which occurs when a person successfully uses TJTC. The President's budget claims savings by putting AFDC people into workfare. We should get credited with welfare savings for getting people hired through TJTC, and I would hope that you could ask CBO to give you a number for this which can be used in the debate on this program.

Even though it costs less than said, is the program worth it? Last year, a paper by Dr. Edward Lorenz, Maryland TJTC Coordinator, was included in the hearing record which reported that TJTC certified workers earned $888 more per year than similar, but non-certified workers. I understand that Dr. Lorenz has continued his work and data will be provided today showing that these findings of long-term career development are very strong. We must remember that TJTC is NOT a job creation program; it's purpose is to break certain disadvantaged individuals out of poverty and move them into the mainstream. But there is a windfall benefit of some job creation, a benefit which we should not overlook in a time of unacceptable unemployment [see last year's hearing record, CBO, page 21; Lorenz, page 172]. I think the evidence is also clear that the program is particularly helpful to the handicapped, a sector facing major budget cuts in education, job and vocational training, and special services.

Having given these defenses of the program, let me suggest some cost savings and reforms, to save money and make it more effective.

There need to be administrative reforms. There is a Texas firm, Gerstenhaber, Jacks & Co., which has spent a lot of time calling Employment Service offices in the fifty states and asking a series of fairly simple questions about TJTC. Within a State and between States, the answers and the quality of service vary enormously, and average time to certify may be as much as 91 days. Gerstenhaber, Jacks reports that as late as the summer of 1984, two States were trying to administer the program without distributing the DOL manual or a local version of it. What they found was a porgram that is administered as a discretionary grant program rather than an entitlement program. The result, they estimate, is a one-sixth to one-eighth loss in employer participation because of ES mal-administration. Those who lose out, of course, are the eligible disadvantaged and the small businessmen who can't get past the wrong answers, the improper denials of eligibility, etc.

ES's budget for the administration of the program has been stuck at about $20-30 million, but I'm not sure that is the whole answer. I suspect TJTC has been treated as a low priority program, with little training given on how to administer it. Whether temporary or not, TJTC needs the support of top Labor management. It is an insult to this Subcommittee and, really, to the Congress that for the second year in a row, Labor has boycotted these hearings. It is worthy of a separate oversight hearing just to have them up here and go through these serious ES/administrative questions. (TJTC expert Dr. Bishop provides a great list of oversight issues in last year's hearing, page 135.)

Many of the following recommendations may help improve the program, but most of them will also make it more difficult for smaller businessmen to use. To the extent complications are added, we should get a commitment from DOL to try to outreach better to small businessmen.

Mr. Chairman, you make a number of suggestions for improvements. I would just urge that if anything is done to make the program more expensive, you also find off-setting savings. This will be a harder program to sell if it is seen as an expansion of an entitlement program without off-setting tighteners.

I think we can cut the percentage rate of the credit without hurting the program. I would recommend trying a 40% credit in the first year and, to encourage retention and growth of the employee, move the second year credit up by part of the amount that would be saved by lowering the first year from 50% to 40%. Several witnesses last year [CBO, page 22; Bishop, page 123] reported that the TJTC worker was only between 12 and 4 percent less productive than non-TJTC workers when they started, with the average estimate being 7-10%. The TJTC credit, which is effectively a 27% credit, is clearly more than enough to offset these productivity costs. One of the leading experts on TJTC, Dr. Bishop, even suggested a first year credit of 25% to 33%.

A variation of this would be to lower the percentage figures, except in cases where the employer provides a certain amount of outside training expense.

Regardless of whether you change the first year percentage, I would urge you find a way to make the second year more attractive. It is important we encourage retention and the accompanying job growth and income gains that occur.

One way to deal with the problem of windfall gains (getting a credit for hiring someone one was going to hire anyway), and displacement would be to make TJTC a marginal subsidy; that is, an employer would get a credit for a TJTC person if there were an increase in his labor force over a base period.

To ensure that the job obtained is one in which there is some training and perhaps a little growth, and to cut the cost of the program from very short-time hires, there could be a requirement for a certain minimum period of employment, say two months, before the credit could be claimed for that person.

To ensure longer term retention and to encourage the employment of people at more than the minimum wage, we could provide the credit on wages after the first $1,000 or $2,000 in wages. The minimum wage is already so terribly low, I don't know why we need to give much of a subsidy for minimum wage jobs. (There was testimony last year (National Association of the Deaf, page 154] that many TJTC jobs are a dollar or more above the minimum wage—which is what we should be encouraging.)

I suspect that the summer youth category is overly generous. Providing 85% credit on the first $3000 in income seem like high numbers. It might also be instructive to trigger out this program in the event that a subminimum wage for youth is ever enacted.

Our friends in labor have not liked this program. It might be worth trying to reassure them a bit, by saying that credits cannot be claimed where workers are fired and replaced with TJTC people. There has been similar language in the WIN program (along with a requirement for 30 days minimum employment). This is a major complicating factor, but it might obtain some good will for the program.

One major coalition of employers has supported lowering the TJTC's limit of 90% of a corporation's tax liability to 80% for companies with 100 or fewer employees, and 60% for companies with more than 100. I would certainly support throwing them into that briarpatch; it sounds good to me.

In concluding, I would just remind that we are trying to help some of the most disadvantaged people in our society. There is no easy or perfect or 100% efficient way to do that. I think that is a lesson of the 60's and 70.'s. But that does not mean that we abandon all efforts.

For all its imperfections, I hope this particular effort can continue.

ATTACHMENT A

U.S. DOL has awarded a contract to Macro Systems, Inc., for research on key TJTC issues. The evaluation study has six major objectives:

1. To develop databases for analyzing (1) the impact of the TJTC program upon the employment and earnings of eligible group workers and (2) the effectiveness of the tax credit as a means of increasing private sector placements of target group members.

2. To utilize the database(s) to estimate the short-term net employment and earnings effects of the TJTC program upon the target groups overall, and specifically upon the disadvantaged youth group (and, where feasible, upon other target groups).

3. To estimate the cost-effectiveness of the TJTC program with respect to (1) program administration, (2) staff utilization, and (3) the benefits to participating agencies and participants in generating jobs for target group workers.

4. To identify the key provisions and aspects of the program that contribute or impede its use and effectiveness for individual target groups and for the overall target group population.

5. To assess the effects of TJTC on the hiring and retention practices of employers with respect to the TJTC eligible target groups, and identify successful and potentially successful strategies for increasing TJTC's utilization.

6. To estimate the effects of the tax credit on aggregate national employment, that is, on targeted and nontargeted groups.

The Congressional Research Service's analyst describes the research as follows:

"This will involve a survey of wage records and accounting reports of Employment Security agencies in 15 States. The data will cover a two to four year period. By merging the wage and accounting data sets, the researchers hope to develop profiles of TJTC-vouchered and non-vouchered individuals. From these profiles, it is anticipated that an estimate of the program's impact may be derived (e.g., utilization rate, displacement rate, variation in vouchering by geographic area). Another part of the project might best be described as a process study—that is, the researchers plan to talk to Employment Security personnel to see how the TJTC program is run at different sites in an attempt to determine which vouchering strategy is most effective (e.g., voucher all eligible persons or voucher only those who will be sent to an employer for a known job opening). Case studies involving a small number of firms that account for a large proportion of TJTC use (e.g., fast food restaurants, hotels, and retail food chains) will comprise another section of this project. Here, the researchers are interested in examining if and how these firms develop incentives for their managers to hire TJTC-eligible persons. Yet another part of the study will include analyzing Current Population Survey and decennial Census data to compare the employment and vouchering rates of TJTC-eligible persons.

Mr. **Flippo**. Thank you, Mr. Chairman.

Members of the subcommittee?

Mr. **Campbell**. I would thank the gentleman for his testimony. And I'm delighted to be on the same side as the gentleman from California.

Mr. **Stark**. You convinced me.

Mr. **Campbell**. This is a good program, it has worked. And I think that we will find strong bipartisan support for its extension.

Mr. **Stark**. I thank the gentleman. And as I say, it is true. As he remembers, I was lukewarm at best on it. But I've been convinced that while this may not be the perfect solution to unemployment, it is one of the best programs we have going. Thank you very much.

Mr. **Flippo**. Thank you for your testimony, Mr. Chairman.

Our next witness is a Member of Congress from New York, Mr. Boehlert. Glad to have you with us.

Mr. **Boehlert**. Thank you, Mr. Chairman.

Mr. **Flippo**. Please proceed.

STATEMENT OF HON. SHERWOOD L. BOEHLERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BOEHLERT. I thought it was important to appear here today before the panel because in my congressional district there are a number of areas that have persistent high unemployment. Upstate New York is not an island unto itself, it mirrors whatever is taking place, unfortunately, in too many sections of our country right now.

And I happen to be a firm believer that a job is a moral imperative for all of our citizens. So I think this is compelling enough to require me to be here with you.

We cannot pretend that we've solved all the problems of unemployment simply because it has vanished from the headlines. The unemployed may be forgotten, but they're certainly not gone.

That's the distressing fact that should command your attention as you consider extending the targeted jobs tax credit. Can we really afford to eliminate a proven successful tool for fighting unemployment among those who face the greatest obstacles in obtaining employment? The answer I think is clearly no.

TJTC is an effective tool, its effectiveness has been demonstrated repeatedly. In 1984 in New York State alone, for example, TJTC was responsible for the hiring of 45,378 disadvantaged workers, a great percentage of whom would not be employed were it not for this enlightened legislation. To eliminate the tax credit now would be doing nothing less than depriving thousands of unemployed New Yorkers and unemployed workers across the country of a chance to make a living.

The statistics also bear out TJTC's ability to help those most in need and to combat problems even more troubling than unemployment. We all know them, the list is long. Almost three quarters of the New Yorkers who were hired because of TJTC were either 18 to 24 year olds, those most prone to commit crimes and have serious problems in society, or mothers who had been receiving Aid to Dependent Children payments. In examining TJTC the tradeoff between jails and jobs, between welfare and work is no mere rhetorical flourish, but a demonstrable choice.

Officials in New York State that offer vocational rehabilitation indicate that TJTC has also been a powerful tool in fighting discrimination against the handicapped.

Another advantage of this tax credit is the method by which it has achieved its success. The tax credit is based on the sound principle that the best way to fight unemployment is not by creating temporary make-work Government jobs, but by helping the private sector expand. TJTC provides incentives for investment and it channels investment, but decisions are left to the private sector.

A final compelling argument for the tax credit is that it is still working and it is still needed. Again, the statistics from my own State of New York make the case. Even though New York historically has had the highest utilizaton of this Tax Credit Program in the Nation, 50 percent more workers were hired under the program in 1984 than in 1983. And use of the program so far this year is running 25 percent ahead of last year.

The targeted jobs tax credit is continuing to promote investments in our Nation's greatest resource, its people, and in its greatest hope, its future. We can't do anything now to discourage that investment when so many continue to cry out for help.

I urge the committee to extend the tax credit.

But I can't leave this morning without urging something else, and that is that the subcommittee take another look at another aspect of the unemployment problem.

There is a large and growing segment of unemployed workers who face daunting obstacles. And the tax credit does nothing really to help them. I'm referring to the displaced workers. Again I'm afraid the example of my own congressional district demonstrates the magnitude of the problem. In one county alone, more than 1,200 workers have been laid off in the recent 5 months.

A new Labor Department survey determined that 2 million displaced workers who lost their jobs between 1979 and 1984 are still without work, many without hope.

Now is the time to encourage private investment in the future of these workers as well.

Congressman Dick Durbin of Illinois and I have introduced a bill that would do just that. It's called the National Individual Training Account Act, H.R. 26 for those of you who might be inclined to track it down. It would allow workers to establish tax free individual training accounts that they could draw on to pay for retraining if they were laid off or for some other reason their job was no more. The accounts would require equal contributions on a voluntary basis by the employee and employer.

This simple program would create no new Government bureaucracy but it could go a long way toward easing life for future displaced workers. And that would make for a smoother transition for our economy as a whole.

I urge the members of this subcommittee to join with our 63 House colleagues, liberals and conservatives, Republicans and Democrats, who have cosponsored this individual training account legislation.

ITA's are based on many of the same sound principles that are the foundation of the targeted jobs tax credit. Together these two programs could help put America back to work.

Mr. **Flippo**. Thank you very much for your testimony. It's very thought provoking testimony.

The other distinguished gentleman from New York.

Mr. **McGrath**. Thank you, Mr. Chairman. I would like to welcome my colleague here this morning.

I agree with his testimony on the targeted jobs tax credit to some extent. But I've had trouble putting my finger on some of the numbers that you've come up with in your testimony. For instance, since we both came from local government and we both know what the CETA Program was all about as far as the workings within local government of that particular program, at one time in my county 25 percent of the work class was funded by a CETA Program, that's Government funded.

I'm trying to get a handle on how many handicapped individuals there are within my own congressional district or region? You say in New York State they have actually been hired into this program. To my best knowledge, we haven't been able to do that at this particular time. And I look to the Office of Vocational Rehabilitation perhaps to give me the same numbers that they gave you.

In addition, I'm interested in the historical retention of those who have been hired under this tax credit. Similarly, these kinds of individuals have been hired perhaps under the CETA Programs of the past. And we know what kind of dead end operation that was for them after an 18-month program.

So while the idea is well and good, I would like to see some of the reforms that our prior witness had indicated in order to make this program as efficient as it might be.

Mr. **Boehlert**. I would agree with your comment on the CETA Program. I was privileged to serve at the time that CETA was in its heyday as county executive. It was noble in purpose. To put things in perspective, when I took over as county executive, there were 1,600 employees, and I discovered we had 158 people on the county payroll under the CETA Program.

When we examined those jobs—incidentally, we were supposed to be creating jobs hopefully in the private sector. We examined those jobs and went after them for justification. We were only able to justify 38.

CETA was noble in purpose but a disaster in implementation. The Job Training Partnership Act, the successor, I think is much better because there is greater emphasis on the decisionmaking in the private sector.

And this is what I like about the targeted jobs tax credit. We've got the private sector with a little initiative, a little pride from Uncle Sam saying we'll take advantage of this. And I think the retention rate is quite good.

Incidentally, my sources of information, in addition to having a very able staff, Lillian Roberts, the Commissioner of Labor.

Mr. **Flippo**. Thank you very much for your testimony.

Mr. **Boehlert**. Thank you.

Mr. **Flippo**. Our next witness is legislative counsel, Mikel Rollyson. Good to have you with us.

Mr. **Rollyson**. Nice to be here. With your consent, I will have my entire testimony entered into the record.

Mr. **Flippo**. Without objection.

STATEMENT OF MIKEL M. ROLLYSON, TAX LEGISLATIVE COUNSEL, U.S. DEPARTMENT OF THE TREASURY

Mr. **Rollyson**. I will summarize it for you.

I'm pleased to appear here today to discuss H.R. 983 which would extend and liberalize the targeted jobs tax credit. Experience has indicated that the targeted jobs tax credit is an expensive tax subsidy whose effectiveness in increasing employment opportunties has not been demonstrated. In addition, the Federal Government already provides substantial employment and training assistance under the Job Training Partnership Act, for instance, and other programs as well.

Accordingly, the administration opposes any extension or expansion of the targeted jobs tax credit. H.R. 983 essentially would extend the TJTC for 5 years making it available for eligible individuals hired through December 31, 1990.

It would also expand the credit in two ways. First, by relaxing the definition of economically disadvantaged workers, H.R. 983 would make more workers eligible for the credit. Currently an individual is defined as economically disadvantaged for purposes of the credit if that individual is a member of a family with an income that is equal to or below 70-percent of the lower living standard published by the Department of Labor. Under H.R. 983 the 70-percent floor would be raised to 80 percent.

Second, under H.R. 983 the amount of annual wages earned by each eligible worker that could be subsidized by the credit would be increased to $10,000 from the current level of $6,000.

The revenue loss attributable to H.R. 983 would be $0.3 billion in 1986, $0.6 billion in fiscal year 1987, increasing to $1.6 billion by 1990, with a total cost of the 5-year extension, including the carryover periods to which it would apply, of $7.2 billion.

Now, I know that Mr. Stark has questioned some of these numbers. I think there may be some confusion about the numbers that were released to the individual who requested them under FOIA. Those numbers were applicable to or were based upon the previous credit, not as the credit would be expanded under H.R. 983.

Mr. FLIPPO. If I might direct a question at this point?

Mr. ROLLYSON. Sure.

Mr. FLIPPO. The joint committee projection is about $3.8 billion for the 5-year period. Yours is 7.2. Have you had an opportunity to look at the joint committee estimate?

Mr. ROLLYSON. I think our estimates are the same. Except that our $7.2 billion takes into account the extension of the carryover period. Their $3.8 billion figure is the revenue loss attributable to the years 1986 through 1990. That does not take into account the revenue loss attributable to the carryover periods which would run through 1994.

Mr. FLIPPO. Thank you.

Mr. ROLLYSON. I do not think there's any disagreement between our estimates and the joint committee's. If there are, I will detail them to you in writing.

The targeted jobs tax credit was enacted in 1978 and was intended to help individuals find employment in the private for-profit sector. It is scheduled to expire on December 31, 1985. Nevertheless, it will continue to be available with respect to workers hired to the end of 1985. Because the employers can earn the credit on wages paid during the first 2 years of employment, the credit would under current law continue to be claimed through the end of 1987.

Data about the credits is very limited. And that is one of the problems in analyzing it. We have limited data available. Some of the data is summarized in tables 1 and 2 attached to our testimony. Table 1 summarizes the number of employed individuals that the Labor Department has certified as being eligible for the credit. Table 2 shows how the credit has been distributed among different industries.

There is no doubt that the credit benefits those employers who claim it. The credit lowers the effective wage cost with respect to these employees. This in turn increases the employer's profitability and may in fact encourage employers to spend relatively more on eligible labor as opposed to other production costs. These are the expected results that would come from any wage subsidy.

However, you must keep in mind that the desired effect of the credit is to increase the number of targeted individuals who are actually employed. In many cases even where the credit is claimed, new targeted employment does not in fact occur.

The clearest case of what I'll refer to as an ineffectual credit occurs when the eligible worker for whom the credit is claimed would have been hired by the same employer or another employer without regard to the existence of the credit. The incidence of these ineffectual credits appears to be quite troubling.

The Labor Department has estimated that almost 9 out of every 10 economically disadvantaged youth who were eligible for the credit found employment without the benefit of the credit. That's based on the estimated numbers of eligible youth that were actually employed in the targeted class, which runs between 2.4 and 3 million, and the number of eligible youth in that targeted class who actually were certified for the credit.

That means that 9 out of 10 of the employees in that class who found employment without regard to benefit of credit. What this means is that a potential explosion in cost of the credit could occur with no apparent benefit. If employers simply were fully aware of the credit, checked the eligibility of those workers that they were employing, the cost of the program could increase tenfold without a single increase in targeted workers being hired.

Indeed the most likely explanation for the exponential growth from 202,000 in 1982 to over 560,000 in 1984 is likely attributable to employers learning about the credit and claiming it for workers already hired.

It's also important to recognize that even when the credit is responsible for the employment of a targeted individual who would not have been employed but for the credit, there is not a necessary increase in targeted employment. That is because the credit may actually result simply in a reallocation of employment among the targeted workers. A targeted worker eligible for the credit may be employed, but that worker may simply replace a targeted employee who is laid off or otherwise displaced.

There well may be social benefits achieved from finding employment in the private, for-profit sector of the economy. But in measuring these social benefits, the benefits provided to targeted workers must be weighed against the detriment to those low-paid employees or other targeted workers who were displaced as a result of the credit as well as against the financial problems which I've already alluded to.

Finally, increases in targeted employment by firms claiming the credit are counterbalanced by the loss of employment in other sectors of the private economy. The cost of the targeted jobs tax credit program ultimately must be financed either through higher taxes or lower Government outlays.

Financing the credit results in lower output and employment in other sectors of the economy which offsets the higher output in employment of businesses claiming the credit. For example, if the program is financed by higher income taxes, firms elsewhere in the economy not claiming the credit will tend to reduce their output and reduce their employment as a result of the higher taxes.

In conclusion, the administration opposes H.R. 983 or any other extension of the Targeted Tax Credit Program. In this period of fiscal restraint we should not commit $7.2 billion to a program whose effectiveness in increasing employment opportunties among those targeted individuals has not been clearly demonstrated.

I would be happy to answer any questions you might have.

[The prepared statement follows:]

STATEMENT OF MIKEL M. ROLLYSON, TAX LEGISLATIVE COUNSEL, U.S. DEPARTMENT OF THE TREASURY

Mr. Chairman and members of the committee, I am pleased to appear today to discuss H.R. 983, which would extend and liberalize the Targeted Jobs Tax credit (TJTC). Experience has indicated that the TJTC is an expensive tax subsidy whose effectiveness in increasing employment opportunities has not been demonstrated. In addition, the Federal government already provides substantial employment and training assistance through The Job Training Partnership Act, for instance. Accordingly, the Administration opposes any extension or expansion of the TJTC.

DESCRIPTION OF H.R. 983

H.R. 983 would extend the TJTC for five years, making it available for eligible individuals hired through December 31, 1990. It would also expand the credit in two ways. First, by relaxing the definition of economically disadvantaged workers, H.R. 983 would make more workers eligible for the TJTC. Currently, an individual is defined as economically disadvantaged for purposes of the TJTC if that individual is a member of a family with an income that is equal to or below 70 percent of the lower living standard published by the Department of Labor (DOL). Under H.R. 983, the 70 percent floor would be raised to 80 percent. Second, under H.R. 983, the amount of annual wages earned by each eligible worker that could be subsidized by the credit would be increased to $10,000 from the current level of $6,000.

The revenue loss attributable to H.R. 983 would be $0.3 billion in fiscal year 1986, $0.6 billion in fiscal year 1987, increasing to $1.6 billion in 1990, with a total cost of $7.2 billion for the 5 year extension.

BACKGROUND AND CURRENT LAW

The TJTC was enacted in 1978, and was intended to help hard-to-employ individuals find employment in the private for-profit sector. The nonrefundable credit is available for employers who hire individuals from any of nine targeted groups. Target group members are either beneficiaries of government assistance programs or members of economically disadvantaged families. The largest eligible group is economically disadvantaged youth age 18 through 24 whose family income during a defined six month period was equal to or less than 70 percent of the lower living standard published by DOL. Current law requires that employers have or request in writing eligibility determinations of employees within five calendar days after the day the individual begins work for the employer. Eligibility determinations are performed by State employment security agencies.

The credit is computed by reference to wages paid to eligible employees. Generally, an eligible individual's first $6,000 of wages in the first year of employment qualifies for a 50 percent credit. The maximum credit that may be claimed for an eligible individual in the first year of employment is thus $3,000. In the second year of the individual's employment, the credit is equal to 25 percent of qualifying wages. An enriched credit is available, however, for economically disadvantaged summer youth employees age 16 or 17. The qualified summer youth employee credit is equal to 85 percent of the first $3,000 of wages earned between May 1 and September 15, for a maximum credit of $2,550 per employee. The employer's deduction for wages paid to eligible employees must be reduced by the amount of the credit; this keeps the rate of subsidy constant at the stated percentage irrespective of the employer's marginal tax rate.

The credit is scheduled to expire on December 31, 1985. Nevertheless, the credit will continue to be available with respect to workers hired before the end of 1985. Because employers can earn the credit on wages paid during the first two years of an eligible individual's employment, the credit will continue to be claimed through the end of 1987.

Data regarding the TJTC is very limited. The number of employed individuals the Labor Department has certified as being eligible for the TJTC is summarized in Table 1. Income tax return data from the Internal Revenue Service shows how the TJTC was distributed among industries and is summarized in Table 2.

ANALYSIS

The TJTC obviously benefits employers who claim the credit. The credit lowers effective wage costs, which in turn increases the employers' profitability and may encourage employers to expend relatively more on eligible labor as opposed to other production costs. The reduced wage costs also may enable these employers to expand their output and thus their total employment. These are the expected substitution and scale (output) effects for individual firms that, according to economic theory, occur from any wage subsidy. Thus, an individual employer that takes advantage of the credit may show an increase in the number of both his targeted and non-targeted employees.

One must be mindful, however, that the desired effect of the credit is achieved only when targeted employees are hired that otherwise would not have been hired. In many cases these new, targeted hires are not produced, even in those cases where the employer claims the credit. The clearest case of ineffectual credits occurs where the eligible worker for whom the credit is claimed would have been hired by the same employer or by another employer without regard to the existence of the credit. The incidence of ineffectual credits appears to be quite prevalent.

The Labor Department has estimated that in 1981 between 2.4 million and 3.0 million economically disadvantaged youth were hired by the private for-profit sector. During fiscal year 1981, there were 176,000 certifications for economically disadvantaged youth, or a participation rate of 6 to 8 percent of the eligible hires. Estimates of the participation rate for several other eligible groups were not greater than 10 percent.[1] In fiscal year 1984, there were 328,213 certifications of economically disadvantaged youth. Assuming that the same number of economically disadvantaged youth were hired in 1981 and 1984 implies a 1984 participation rate of 11 to 14 percent of eligible hires. In other words, almost nine out of ten economically disadvantaged youth, who were eligible for the credit, found employment without the benefit of the TJTC.

The potential explosion in ineffectual credits is apparent. If employers simply checked the eligibility of workers whom they currently hire, the cost of the TJTC program could increase tenfold without one additional targeted worker being hired. Indeed, the most likely explanation for the exponential growth in certifications from 202,261 in 1982 to 563,381 in 1984 is employers learning about the credit and claiming it for workers whom they have always hired.

It is also important to recognize that even when the TJTC is directly responsible for the employment of a targeted employee, no net increase in targeted employment need occur. This is so because the credit may result in a reallocation of employment between new targeted workers who qualify for the credit and previously employed targeted workers who do not. If there is an increase in targeted employment as a result of the TJTC, it may come at the expense of nontargeted but nonetheless low-paid individuals who are displaced by the targeted individuals.

There may be social benefits achieved from targeted workers finding employment in the private for-profit sector of the economy, such as gains in economic self-sufficiency for individuals who have seen dependent on welfare. In measuring the social benefits, however, one must weigh the benefits provided to targeted workers who found jobs because of the credit against the detriment to those low-paid employees or even those targeted workers that were displaced, as well as against the financial cost discussed below.

It is likely that any increase in hiring of eligible individuals as a result of the credit will come at the expense of other low-skilled workers, who have not qualified for the credit but have job skills similar to those of the targeted groups. The substitution of targeted workers for other workers does not necessarily mean that other workers are laid off by an employer; the substitution is more likely to occur through the job hiring process where a targeted worker is hired in lieu of a non-targeted worker.

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[1] No single explanation can be cited for the credit's low participation rate. It is clear that the certification system leaves much of the burden of identifying eligible workers on employers and that many employers are still not familiar with the TJTC. The cost of identifying eligible individuals and the nonrefundable nature of the tax credit reduces the net value of the credit for many employers.

Finally, increases in targeted employment by firms claiming the credit are counterbalanced by the loss of employment in other sectors of the private economy. The cost of the TJTC program ultimately must be financed either through higher taxes or lower government outlays. Financing the credit results in lower output and employment in other sectors of the economy, which offsets any higher output and employment of businesses using the TJTC. For example, if the program is financed by higher income taxes, firms elsewhere in the economy will tend to reduce their output and correspondingly their employment.

CONCLUSION

The Administration opposes H.R. 983 or any extension of the TJTC program. In this period of fiscal restraint we should not commit $7.2 billion of tax dollars to a program whose effectiveness in increasing employment opportunities has not been demonstrated.

TABLE 1.—TARGETED JOBS TAX CREDIT CERTIFICATIONS ISSUED BY THE DEPARTMENT OF LABOR (DOL) BY TARGET GROUP: FISCAL YEAR 1982 TO FISCAL YEAR 1984

Targeted group	Fiscal year—		
	1982	1983	1984
Economically disadvantaged youth, age 18 to 24	132,195	259,309	328,213
Economically disadvantaged summer youth, age 16 to 17	0	33,538	30,137
Economically disadvantaged Vietnam veterans	13,271	24,141	29,000
Economically disadvantaged ex-convicts	13,332	21,929	27,278
Vocational rehabilitation referrals	14,757	25,412	38,263
General assistance recipients	8,136	14,480	24,101
AFDC recipients/WIN registrants	18,503	50,736	84,769
Supplemental security income recipients	782	1,254	1,620
Unemployed CETA workers	1,285	383	0
Economically disadvantaged cooperative education students	([1])	([1])	([1])
Total [1]	202,261	431,182	563,381

Office of the Secretary of the Treasury Office of Tax Analysis, March 18, 1985.

[1] The Education Department is responsible for certifying eligible cooperative education students, but they maintain no records of total certifications DOL performs "economic determinations" for cooperative education students The number of economic determinations is an upper bound on the number of certifications for cooperative education students There were 8,324 economic determinations of cooperative education students in FY 1983 and 6,724 in FY 1984 A comparable number is not available for 1982.

TABLE 2.—JOBS TAX CREDITS CLAIMED BY CORPORATIONS IN TAXABLE YEAR 1982 BY INDUSTRY [1]

[Dollars in millions]

Industry	Amount of jobs credits	Percent of total
Agriculture	$4.3	1.3
Mining	2.4	0.7
Construction	28.5	8.7
Manufacturing	90.4	27.6
Transportation and public utilities	10.3	3.2
Wholesale trade	13.6	4.1
Retail trade	93.8	28.7
Finance, insurance and real estate	18.4	5.6
Services	65.1	19.9
Other	0.5	0.2
Total	327.3	100.0

Office of the Secretary of the Treasury, Office of Tax Analysis, March 18, 1985.

[1] Comparable data by industry are unavailable for noncorporate businesses. Approximately $92 million of Jobs Tax credits were claimed on individual tax returns in 1982.

Mr. **Flippo**. Mr. Rollyson, you make a point about the $7.2 billion in a time of fiscal restraint. Mr. Anthony raised the question of the position of the administration in regard to other revenue losers that the administration is supporting in the budget in the times of fiscal restraint. Would you tell me what makes this particular item less important than some of the other items that you are supporting in the budget.

Mr. ROLLYSON. I do not want to characterize it as less important. I think certainly the employment of the targeted individuals as an item of importance has to be extremely high on anyone's list of what is important for this society.

I think the difference in each of those programs, without trying to talk about each one individually, is that we believe that those targeted programs would produce the desired results. And we are fearful based upon experience today that the Targeted Jobs Tax Credit Program, although it does lead to certain results which have been described today—there clearly are individuals who are hired and benefit under the program—overall it does not achieve its desired goal of significantly increasing the employment of the targeted individuals, where we think the other programs would achieve the desired results.

Mr. FLIPPO. Could you tell us where the administration's position that you talked about today differs with or is in agreement with the views of the Labor Department on this issue.

Mr. ROLLYSON. I can't say. I think the Labor Department is in agreement with the administration's position, that is the administration's position to oppose extension or expansion of the credit. So I'm sure that the Labor Department agrees with that decision, but I have not personally discussed it with them.

Mr. FLIPPO. I just want to make sure that you are going to examine the joint committee estimate and tell us any variations or differences that the administration has?

Mr. ROLLYSON. We will try to give you, if you will, a reconciliation between those two.

Mr. FLIPPO. Thank you.

Mr. McGrath.

Mr. MCGRATH. Thank you, Mr. Chairman.

Referring to table No. 1, the vocational rehabilitation referrals, where did you get those numbers?

Mr. ROLLYSON. These numbers I believe come from tax return data and from certifications by the Labor Department.

Mr. MCGRATH. We've heard testimony from one of our colleagues, my colleague from New York, Mr. Boehlert, that many of those who are being employed under these tax credits are those who at this point in time get some sort of social service. Does the Treasury take into account perhaps the large savings that can be accrued from the reduced Government assistance, particularly for the hard-to-employ adults?

Mr. ROLLYSON. I would have to check. To the extent there are savings in that sector, I'm told that they would show up in the budget receipts on the line item of the budget, and not in our revenue loss tables. So it would be an offset to this.

Mr. MCGRATH. So in other words, we really have no cross benefit of this particular program unless we develop into any particular region or social service district or whatever to see what the reduction in cost would be to the benefit of this particular tax credit.

Mr. ROLLYSON. That's correct. This table does not show the actual cost savings from reduced Government outlays with respect to this.

Mr. MCGRATH. How would we go about making that kind of estimation?

Mr. ROLLYSON. It would have to be made based upon the certification of individuals who have been brought into the program. One would have to make an estimate of the types of subsidies that were being provided to those individuals.

But you also have to be mindful that the consistent problem here is that when a targeted individual is hired, there may also be another individual who is not hired or who is laid off. And if that ratio is 1 for 1, then there's no net savings on the other side of the equation. It's very difficult to determine what the displacement ratio is with respect to these individuals.

But clearly the savings that you are alluding to now certainly would not be 1 for 1, if you will, with respect to each targeted individual that is hired. Because there's certainly displacement, not only among the targeted employees but elsewhere in the economy as well where you have a loss of employment.

Mr. MCGRATH. Thank you.

Mr. DORGAN [presiding]. Mr. Rollyson, I wasn't here for all of your testimony, but I would like to ask a couple of questions. In your opposition to the extension of the tax credit, you indicate that there is not sufficient evidence that it has done what it was intended to do.

And I do not have any predisposition about this matter. I feel that tax credits ought to be looked at relative to their efficiency. If the purpose for which these tax credits were created was a good purpose, if they were efficient in trying to resolve some of the problems they were created to resolve, then we need to consider extension.

But I guess your position is that the efficiency is not there in this situation. We've had this tax credit since the late 1970s. Is there any body of information out there that you know of that either makes your case, that, A, it is inefficient, or makes the supporters' case that it is, B, efficient? What can we call on to evaluate it?

Mr. ROLLYSON. That is difficult. One of the problems in assessing the efficiency is a lack of hard data. And again, the data one needs to analyze is not just the number of people who are hired through the operation of the credit, not the number of certifications, but rather the number that would have been hired but for the existence of the credit.

In our testimony there is evidence based upon Department of Labor statistics that in 1981 in the neighborhood of close to 3 million disadvantaged youths were hired. At the same time less than 10 percent of those came in through the Targeted Jobs Tax Credit Program. So there were 3 million who would have qualified for the program had it been known that they qualified. Those were hired.

That means in effect the credit was at most 10 percent effective with respect to that group of individuals.

Mr. DORGAN. Is there any evidence of displacement?

Mr. ROLLYSON. In terms of hard data, I do not believe we have any hard data that can demonstrate other than anecdotally with respect to when targeted employees are hired, either other targeted employees or other low paid employees with the same type of job skills are displaced. A great deal of it probably takes place simply through the hiring process rather than through the laying off process.

Mr. **Dorgan**. Well, it seems to me it makes good sense for us to see if we can encourage people or convince people to hire these targeted groups, disadvantaged youth, so on and so forth. But it makes little sense to give someone who makes great chicken tax breaks in the stores where they make chicken unless they are doing something on the positive side.

And we need to know with what efficiency these tax credits have worked. The frustration of a policymaker is that there seems to be no evidence on either side, just sort of a judgment that all of us make about whether it is a good thing. It's a good idea. I do not know if it is a good thing until we know how it works.

Mr. **Rollyson**. All of us believe that the objectives of the credit are extremely worthwhile. It is just we do not believe it is working. We do not believe that it is efficient. And one thing we do know is it is going to be extremely costly.

Mr. **Dorgan**. One can quarrel with the notion of dealing with unemployment through the tax code, but that's a separate issue I'm not predisposed to support extension of these tax credits or not support the extension. I think we need some good information with which to make public policy judgments. And I'm concerned that that information isn't there.

And the result is that someone will viscerally respond, sure, it is a good idea, let's continue it. It may not be a good idea if it gives a tax break to someone who doesn't need it.

Mr. **Rollyson**. We do believe that the programs such as Job Training Partnership Act will be more directly accountable, if you will. You will have better data with respect to that type of a program. You will have actual training going on. And it will be a better accountability system.

Mr. **Dorgan**. My interest is in hearing from the people who support and oppose this with hard evidence and then trying to make a judgment about whether or not we want to extend the tax credit. Mrs. Kennelly.

Mrs. **Kennelly**. No, thank you.

Mr. **Dorgan**. Any further comments?

Mr. **Rollyson**. No.

Mr. **Dorgan**. Mr. Rollyson, thank you very much for your testimony.

Next we will call on Nancy Gordon from the Congressional Budget Office. Nancy is the assistant director for human resources and community development. Welcome.

Ms. **Gordon**. Thank you very much.

I would like to start by introducing Eric Toder, who is seated to my left. He is the deputy assistant director for tax analysis. I also want to introduce Bruce Vavrichek, a senior analyst for employment policies at the CBO. With your permission, I would like to summarize my statement and submit the full statement for the record.

Mr. DORGAN. Without objection we'll include the entire statement in the record.

STATEMENT OF NANCY M. GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND HUMAN DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE

Ms. GORDON. Congressional concern about improving employment for disadvantaged groups is long standing. One program designed to aid disadvantaged workers is the targeted jobs tax credit (TJTC), a tax expenditure that will expire at the end of 1985 unless it is reauthorized by the Congress.

My remarks today cover three topics: Background information about the tax credit, evidence concerning its effectiveness, and options the Congress may want to consider as it debates reauthorization of the credit.

BACKGROUND

This nonrefundable employer tax credit reduces the cost of hiring workers from certain disadvantaged groups relative to unsubsidized job seekers. It thereby seeks to induce private sector employers to employ workers from some high-risk groups that they might not otherwise choose to hire.

While there is no explicit training requirement under the credit, disadvantaged workers who receive jobs because of the credit may have an opportunity to demonstrate their competence and work history that will make it easier for them to find other jobs later.

Beyond any gains from reducing barriers to the future employment of these workers, the effect on total employment is uncertain because employers could shift the composition of their hiring toward targeted workers without adding to their overall work force.

The tax credit program has been changed substantially since its initial authorization in 1978, probably increasing its effects on employers' hiring decisions. In its early years, it was widely believed that most of the program's benefits accrued to employers for whom the credit was a windfall benefit that did not alter their hiring decisions.

To increase the effectiveness of the program, the Economic Recovery Tax Act of 1981 eliminated both so-called retroactive certification and eligibility for cooperative education students, unless they were also economically disadvantaged. Last year the Deficit Reduction Act extended the credit for 1 year, permitting employers to claim a tax credit for eligible employees hired before January 1, 1986, and allowed employers 5 additional days to request certification.

EVIDENCE ABOUT THE PROGRAM

I would like to turn now to evidence about the program. But it is important to bear in mind that some questions about its effects remain unanswered.

Researchers have focused on two key areas. First, is the credit effective? That is, does it generate jobs for targeted workers that they would not have had without the subsidy and at a reasonable cost? Second, if additional employer participation is desired, how could this be encouraged?

Based on evidence from a survey of the employers, it appears that from 1980 to 1982 the credit induced a shift in employers' hiring toward targeted young workers. In a 1982 survey, about 34 percent of employers who had used the credit said that it substantially influenced their choice of which workers to hire. Moreover, the proportion of workers who were under age 25 was at least 6 percent higher, on average, in firms that had used the credit over the previous 2 years compared with similar firms that had not used it.

On the other hand, it is less clear that overall employment increased as a result of the credit. To the extent that job opportunties provided to targeted workers because of the credit were in fact new jobs, targeted workers benefited with no adverse effect on other workers. If overall employment increases were small, however, then gains for targeted workers were at the expense of other workers who were displaced. Even if displacement is substantial, the credit may still be desirable because it reduces the concentration of unemployment on disadvantaged groups.

Although the maximum annual credit is $3,000, the actual revenue loss depends on the size of the credit taken and the employer's tax bracket. In fiscal year 1984 the average revenue loss per TJTC participant was between $700 and $1,000.

While little is known about the relative effectiveness of the tax credit compared with training programs, we can compare the relative costs of 4 months of TJTC sponsored employment with 4 months of Job Training Partnership Act (TJPA) training. In 1984 the revenue loss of $700 to $1,000 compares with an average training cost of $1,600.

Turning now to employer participation, we find that firms that use the credit tend to be large and primarily in service retail trade and manufacturing industries, as shown on page 9 in table 2 of my testimony. In 1982 only about 10 percent of firms had used the credit. But use was often heavy among participating employers—on average about 20 percent of their employees were subsidized.

Employers who used the credit perceived that TJTC workers were at most 12 percent less productive than unsubsidized workers during their first few weeks on the job, suggesting that the subsidy was probably more than enough to compensate employers for any difference in productivity.

A substantial proportion of employers are unlikely ever to use the credit. For example, employers who do not pay taxes—about 30 percent of all firms—cannot benefit from the credit. In addition, small firms may be reluctant to use the credit because they are less able to recover the fixed costs of learning about the program and modifying their hiring practices.

Outreach efforts could, however, significantly increase the probability of employers participating in the tax credit program. If firms not now using the credit were contacted by the employment service, told about how the program works, and asked to accept program referrals, the Congressional Budget Office (CBO) estimates that up to a third of these firms could be persuaded to do so.

For reasons already discussed, success rates would probably be highest in large firms with a high proportion of low-paid jobs and lower in small firms or firms with few low-paid jobs. On the other hand, firms not now using the credit might reduce their tax liabilities without expanding the number of jobs available for the targeted groups by claiming the credit for eligible workers who would have been hired in any event as a result of normal turnover.

OPTIONS

Turning now to options, the Congress has two broad alternatives: Either allow the tax credit to expire or extend it, perhaps with some modifications.

Allowing the credit to expire as now scheduled would contribute to simplifying the tax code. At the same time, Federal programs to facilitate private sector employment of disadvantaged groups would still exist under the Job Training Partnership Act.

Costs can be tightly controlled under the latter program, whereas the Congress has less control over the cost of the tax credit since it is an entitlement. Allowing it to end would avoid additional revenue losses of about $1 billion per year by the end of the decade.

Alternatively, the Congress could reauthorize the credit, thereby continuing to encourage employers to employ disadvantaged people. Since the Department of Labor is sponsoring a study of the tax credit, reauthorization would avoid disruption of the program, while providing opportunity for better evaluation of its effectiveness.

H.R. 983, recently introduced by you, Mr. Campbell, and Mr. Wheat would extend the credit for 5 years and increase the maximum eligible wages from $6,000 to $10,000. Doing so would make the tax credit more attractive to some employers by increasing its maximum value and would roughly compensate for growth in earnings since the tax credit was first enacted in 1978. The larger maximum credit might not be used by many employers, however, because both average wages and employment durations in the TJTC-supported jobs appear to be relatively low.

Another provision of the bill would expand program eligibility by changing the definition of "economically disadvantaged" from 70 percent of the lower living standard income levels to 80 percent. When this modification was previously introduced, the lower living standards had not been revised in several years. In late 1984, however, these standards were updated to reflect changes in the cost-of-living through December 1983. Thus eligibility has already been broadened somewhat.

H.R. 983 would further expand eligibility, thereby reducing the extent to which the credit is targeted on the most disadvantaged. In total, it would reduce annual Federal revenues by an additional $100 million to $200 million by the end of the decade compared with extending the current version of the credit.

CONCLUSION

In conclusion, Mr. Chairman, changes authorized by the Congress in 1981 probably increased the effectiveness of the tax credit program by reducing—but not eliminating—the potential for employers to benefit from the program without altering their hiring practices.

In addition, use of the program is increasing as a result of growing familiarity with the credit, an improving economy, and more active marketing by the employment service. Available evidence suggests that the credit has increased employment of eligible disadvantaged people to some degree, but it may not have increased total employment. Reauthorization would allow time for further evaluation of the credit's effectiveness, but would also increase the budget deficit.

[The prepared statement follows:]

STATEMENT OF NANCY M. GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE

Mr. Chairman, Congressional concern about improving employment opportunities for disadvantaged groups is longstanding. Currently, the Congress authorizes both direct spending and tax expenditure programs to aid disadvantaged workers. One of these—the Targeted Jobs Tax Credit (TJTC, hereafter referred to as the tax credit)—is a tax expenditure that will expire at the end of 1985, unless it is reauthorized by the Congress.

My remarks today cover three topics: Background information about the tax credit; Evidence concerning its effectiveness; and Options the Congress may want to consider as it debates reauthorization of the credit.

BACKGROUND

The jobs tax credit is a nonrefundable employer tax credit. The credit reduces the cost of hiring workers from certain disadvantaged groups relative to unsubsidized job seekers; it thereby seeks to induce private-sector employers to employ workers from some high-risk groups that they might not otherwise choose to hire. While there is no explicit training requirement under the credit, disadvantaged workers who receive jobs because of the credit may have an opportunity to demonstrate their competence and build work histories that will make it easier for them to find other jobs later. Beyond any gains from reducing barriers to the future employment of these workers, the effect on total employment is uncertain. Employers may shift the composition of their hiring toward targeted workers in response to the credit, whether or not they add to their overall work force.

Under current law, employers may claim a tax credit for two years—50 percent the first year and 25 percent the second year of the first $6,000 earned annually by newly hired eligible employees.[1] Workers eligible for this credit include low-income youth aged 18 to 24, low-income youth aged 16 to 19 in cooperative education (work-study) programs, public assistance recipients, disabled workers in rehabilitation programs, low-income Vietnam veterans, and low-income ex-convicts. In addition, employers may claim a credit of 85 percent of the first $3,000 earned by low-income youth aged 16 or 17 hired for the summer months. Three-fifths of workers claimed for the year-round program last year were from youth categories. This group is the focus of my testimony today because there is little evidence about the effect of the credit on others groups.

The tax credit program has been changed substantially since its initial authorization in 1978, probably increasing its effect on employers' hiring decisions. In its early years, it was widely believed that the program was not providing the intended employment benefits for targeted groups. Instead, it seemed likely that most of the program's benefits accured to employers for whom the credit was a windfall benefit and did not alter their hiring decisions. There were two reasons for this belief. First, about half the workers certified for the credit were youth in cooperative education programs—a group that employers are generally willing to hire without the credit as an inducement. Second, two-thirds of other workers claimed for the credit were certified retroactively. That is, first they were hired and only later did their employers determine their eligibility for the credit.

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[1] The employer's tax deduction for wages also must be reduced by the amount of the credit. This keeps the rate of subsidy for wage costs constant at the stated rates—50 pecent in the first year and 25 percent in the second year—regardless of the employer's tax bracket.

To increase the effectiveness of the program, the Economic Recovery Tax Act of 1981 eliminated both retroactive certification and eligibility for cooperative education students, unless they were also economically disadvantaged. Following these changes, certifications declined in 1982 by about 40 percent, with three-quarters of the decline resulting from the restriction imposed on eligibility for cooperative education students. The rest of the decline resulted from a combination of two factors: the elimination of retroactive certification and the recession, which brought about lower overall demand for workers. (The contribution of each factor is unknown, however.) By 1983, use of the credit had returned to its 1981 level of more than 400,000 certifications, an increase that reflected renewed economic growth and greater efforts by the Employment Service to implement the program.

The Deficit Reduction Act of 1984 extended the credit for one year, permitting employers to claim a tax credit for eligible employees hired before January 1, 1986, and allowed employers five additional days to request certification. Use of the tax credit has continued to increase: in fiscal year 1984, more than 500,000 certifications were issued; in the first quarter of fiscal year 1985, 140,000 were issued—an increase of more than 20 percent over the number in the corresponding quarter of the preceding year.

EVIDENCE ABOUT THE PROGRAM

Researchers have focused on two key questions about the tax credit. First, is it effective? That is, does it generate jobs for targeted workers that they would not have had without the subsidy at a reasonable cost? Second, if additional employer participation is desired, how could this be encouraged?

EFFECTIVENESS OF THE TJTC

The poor employment prospects for disadvantaged youth—the only group for which much is known about the credit's effects—have long been a major concern. Unemployment rates among minority youth are generally more than double the rates for white youth (see Table 1). For example, the unemployment rate for black teenagers averaged over 40 percent in 1984, while the jobless rate for white teenagers was 16 percent.[2]

TABLE 1.—UNEMPLOYMENT AND EMPLOYMENT RATES FOR YOUTH, 1984

[In percent]

Category of youth	Unemployment rate	Employment in group as a percentage of group population
All Youth, aged:		
16 to 19	18.9	43.7
20 to 24	11.5	68.7
White Youth, aged:		
16 to 19	16.0	48.0
20 to 24	9.3	72.0
Black Youth, aged:		
16 to 19	42.7	21.9
20 to 24	26.1	51.1

Source: Employment and Earnings, Bureau of Labor Statistics (January 1985).

Although the employment problem for youth in general will moderate in future years because of demographic trends, exceptionally high unemployment among disadvantaged youth is likely to continue. Because this problem has been so intractable, any approach that may help merits careful consideration in the Congress remains committed to assisting the disadvantaged to find employment. While I will review current evidence about the effectiveness of the tax credit in this testimony, some important questions about its effects remain unanswered at this time.

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[2] Employment differences between black and white youth are only an approximation to differences between targeted youth and other youth, since many youth eligible for the credit are white and many black youth are ineligible for the credit.

Based on evidence from an employer survey, it appears that from 1980 to 1982 the credit induced a shift in employers' hiring toward targeted young workers. In a 1982 survey, about 34 percent of employers who had used the credit said that it substantially influenced their choice of which workers to hire. Moreover, the proportion of workers who were under age 25 was at least 6 percent higher, on average, in firms that had used the credit over the previous two years compared with similar firms that had not used it.

On the other hand, it is less clear that overall employment increased as a result of the credit. To the extent that job opportunites provided to targeted workers because of the credit were, in fact, new jobs, targeted workers benefited with no adverse effect on other workers. If overall employment increases were small, however, then gains for targeted workers were at the expense of other workers who were displaced.

Even if displacement is substantial, the credit may nevertheless be desirable because it reduces the concentration of unemployment on disadvantaged groups. Any losses in employment that untargeted groups experience because of the credit are likely to be widely distributed and small for any particular group, although in some specific cases substantial costs may be shifted to untargeted workers.

Although the maximum annual credit is $3,000, the actual federal cost of a TJTC-subsidized job depends on the size of the credit taken and the employer's tax bracket. In fiscal year 1984, the average revenue loss per program participant was between $700 and $1,000.[3] By way of comparison, the average cost per participant served in local training programs under the Job Training Partnership Act of 1982 (JTPA) in that same year was about $1,600. Although the two programs each include low income youth as a target group, the approach taken is quite different—TJTC emphasizes immediate work experience, whereas JTPA emphasizes training. At present, there is insufficient information to judge which is more cost-effective.

It seems likely that one of the original premises of the tax credit program is wrong—namely, that target group members can effectively use a voucher verifying their eligibility as a self-marketing aid in their job search. In experiments where public assistance recipients informed potential employers about their eligibility for the credit, they had significantly lower placement rates than similar job seekers who did not mention the credit. Although there is no comparable experimental evidence for other target groups who might be less stigmatized, there is anecdotal evidence that they are reluctant to advertise their eligibility because they believe they would be presenting themselves in a bad light. Most credit certifications result from third-party efforts, such as Employment Service personnel either seeking out or responding to employers who will accept referrals of eligible job seekers.

EMPLOYER PARTICIPATION IN THE TJTC

Large employers—primarily in the service, retail trade, and manfacturing industries—are far more likely to use the credit than small employers (see Table 2). In 1982, only about 10 percent of firms had used the credit, but use was often heavy among participating employers—on average about 20 percent of their employees were subsidized. Based on employer perceptions in 1982, credit-eligible workers were at most 12 percent less productive than unsubsidized workers during their first few weeks on the job. This evidence suggests that the subsidy was probably more than enough to compensate employers using the credit for any differences in productivity between eligible workers and unsubsidized applicants.

A substantial proportion of employers are unlikely ever to use the credit. For example, employers who do not pay taxes—about 30 percent of firms—cannot benefit from the credit, nor can employers whose skill requirements do not broadly correspond to the qualifications of TJTC-eligible job-seekers. In addition, small firms may be reluctant to use the credit for at least two reasons. First, they are less able than larger firms to recover the fixed costs of participation, which include learning about the program and then modifying hiring practices to take advantage of it. Second, small firms are less able to absorb the additional costs that an unsuitable employee could impose on the firm.

Outreach efforts could, however, significantly increase the probability of employers participating in the tex credit program. If firms not now using the credit were contacted by the Employment Service, told about how the program works, and asked to accept program referrals, the Congressional Budget Office (CBO) estimates that up to a third of these firms could be persuaded to do so. For reasons already discussed, success rates would probably be highest in large firms with a high proportion of low-paid jobs, and lower in small firms or firms with few low-paid jobs. On the other hand, firms not now using the credit who already employ eligible workers might reduce their tax liabilities as turnover leads to hiring new employees, without expanding the number of jobs available to the target group.

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[3] Data from a 1981 survey indicated that the average TJTC-subsidized job held by youth lasted only 15 weeks and paid approximately the federal minimum wage.

TABLE 2.—ESTIMATED USE OF THE TJTC BY EMPLOYERS, 1982

Type of employer	Percent of employers who have used the TJTC	Percent of employees subsidized in firms that used the TJTC
Number of employees:		
1 to 4	4	17
5 to 19	10	25
20 to 49	12	8
50 to 199	21	21
200+	44	14
Industry:		
Mining	2	1
Construction	8	10
Manufacturing	13	17
Transportation and utilities	6	15
Wholesale and retail trade	11	31
Finance	5	7
Other services	10	10
Total	10	20

Source: 1982 Employer Survey funded by the National Institute of Education and the National Center for Research in Vocational Education. This survey is not nationally representative, but is representative of both urban and rural sites in three regions—South, North Central, and West. In all, 3,710 employers responded to the survey.

OPTIONS

The Congress has two broad alternatives—either allow the tax credit to expire or extend it, perhaps with some modifications.

ALLOW THE TJTC PROGRAM TO EXPIRE

One option is to allow the credit to expire as now scheduled at the end of 1985. This decision would contribute to simplifying the tax code; at the same time, federal programs to facilitate private-sector employment of disadvantaged groups would still exist under the Job Training Partnership Act. Costs can be tightly controlled under the latter program, whereas the Congress has less control over the costs of the tax credit since it is an entitlement. Allowing the program to end would avoid additional revenue losses of about $1 billion per year by the end of the decade.

REAUTHORIZE THE TJTC PROGRAM

Alternatively, the Congress could reauthorize the credit—either in its present form or with modifications—thereby continuing to encourage employers to hire eligible disadvantaged people. Since the Department of Labor is sponsoring a study of the tax credit, reauthorization would avoid disruption of the program, while providing the opportunity for better evaluation of its effectiveness.

A bill both to extend the tax credit for five years and to modify it (H.R. 983) was recently introduced by Representatives Rangel, Wheat, and Campbell. One provision of this bill would increase annual eligible wages from $6,000 to $10,000. Doing so would make the tax credit more attractive to some employers by increasing its maximum value, and would roughly compensate for growth in earnings since the tax credit was first enacted in 1978. The larger maximum credit might not be used by many employers, however, because both average wages and employment durations in TJTC-supported jobs appear relatively low.

Another provision of this bill would expand program eligibility by changing the definition of "economically disadvantaged" from 70 percent of the Lower Living Standard Income Levels to 80 percent. When this modification was previously introduced, the Lower Living Standards had not been revised for several years. In late

1984, however, these standards were updated to reflect changes in the cost-of-living through December 1983. Thus, eligibility has already been broadened somewhat. H.R. 983 would further expand eligibility, thereby reducing the extent to which the credit is targeted on the most disadvantaged. In total, H.R. 983 would reduce annual federal revenues by $100 million to $200 million by the end of the decade, compared with extending the current provisions.

CONCLUSION

Changes authorized by the Congress in 1981 probably increased the effectiveness of the tax credit program by reducing—but not eliminating—the potential for employers to benefit from the program without altering their hiring practices. In addition, use of the program is increasing as a result of growing familiarity with the credit, an improving economy, and more active marketing by the Employment Service. Available evidence suggests that the credit has increased employment of eligible disadvantaged people to some degree, but it may or may not have increased total employment. Reauthorization would allow time for further evaluation of the credit's effectiveness, but would increase the budget deficit.

Chairman RANGEL. Thank you for a very thorough evaluation of the program.

Mr. McGrath.

Mr. McGRATH. Thank you, Mr. Chairman.

On page 6 you have to straighten me out. You state in the last paragraph: "Although the maximum annual credit is $3,000, the actual Federal cost of the TJTC subsidized job depends on the size of the credit taken in the employer's tax bracket." I thought there was a big difference between credit and deduction. And the statement, the size of the credit taken and the employer's tax bracket, seems to be incongruous.

Ms. GORDON. I think the basic distinction has nothing to do with credit and deduction, which you have absolutely straight. Rather it has to do with the fact that most of the information available is on youth. Youth tend to be in their jobs for a relatively short period of time, about 4 months on average, and they tend to earn roughly the minimum wage.

We are talking, then, about wages during the course of the job with one employer of about $2,000, for example, during the first year. That would translate into a credit of just over $1,000. Because the firm's tax deduction for wages must be reduced by the amount of the credit, the revenue loss would depend on the marginal tax rate of that firm—for example, if it was 25 percent, the revenue lost would be about $750.

Mr. McGRATH. So what we're talking about is semantics in terms of how large the revenue lost estimates would be?

Ms. GORDON. If the employee earned $6,000 or more during the first year of employment with the firm, then the firm would be eligible for a credit of $3,000. But that is not the typical case.

Mr. McGRATH. I see. On page 10 you refer to a Department of Labor study of the tax credit. Is this study the one that takes into effect the retroactivity of the previous provision, or is this the one that would be up to date? I'm not fully aware of which you're speaking.

Ms. GORDON. The study you're referring to is the one that is now ongoing. Since it will use data for 1983 and 1984, it will reflect the changes that the Congress enacted in 1981 to eliminate retroactive certification.

Mr. McGrath. Now, in regard to the gentleman from Treasury made a point about the displacement of nontargeted workers by those who would be targeted. Do you have any estimates of how many that might be?

Ms. Gordon. The gentleman from the Treasury was quite right when he said that very little on that issue is known. The CBO has pointed out what the implication would be if in fact a third of the people who were hired would not have been hired in any case. But that is really more on the order of a guess than it is a fact.

Mr. McGrath. Thank you, Mr. Chairman.

Chairman Rangel. Thank you, Mr. McGrath.

If Treasury was indicating that there could be a substitute of nontargeted employees for the program, would not that same type of thinking apply for below minimum wage legislation?

Ms. Gordon. I think that that is basically correct. The one difference between the minimum wage approach and the targeted jobs tax credit is that if you are using a minimum wage differential, you cannot target it as closely as you can if you are using primarily a tax credit. You could use age as a way of differentiating employees, but you would not be able to focus on economically disadvantaged groups.

Chairman Rangel. So with the below minimum wage programs, you would be more inclined to dislocate minimum wage people?

Ms. Gordon. It would tend to shift jobs from people who were not eligible for the subminimum amount, typically from adults, toward youth. Moreover, it would tend to shift those jobs toward all youth, not just economically disadvantaged youth.

Chairman Rangel. Ms. Gordon, did your testimony or research indicate the extent that targeted workers were retained by the employers after the credit had expired?

Ms. Gordon. Unfortunately, almost all of the available information applies to youth, and youth have very short durations in their jobs. If you consider nondisadvantaged youth, their average duration in a job is only 4½ months. Therefore, the issue of continuing employment for the second year for that particular group is really not a terribly relevant one.

Chairman Rangel. Let me thank you for an outstanding job. We can depend on your office to provide for us in the Congress.

Ms. Gordon. Thank you very much, Mr. Chairman.

Chairman Rangel. We have a panel, the Maryland Department of Employment and Training, Edward C. Lorenz, who is the coordinator of the TJTC; from the Empire State, Department of Labor, director of employer relation, Donald Graborski; D.C. Department of Employment Service, Carolyn Jones, associate director, Office of Job Services.

We thank you for your sharing your views with us today. Your entire statements will be entered into the record, so you may highlight that testimony as you see fit. We'll start off with Mr. Lorenz from Maryland.

STATEMENT OF EDWARD C. LORENZ, TJTC COORDINATOR, MARYLAND DEPARTMENT OF EMPLOYMENT AND TRAINING

Mr. LORENZ. I want to thank you, the subcommittee, for the opportunity to appear before you. I am the employment tax credit coordinator foı the State of Maryland. The primary purpose for being here is not to represent the views of Maryland. The State Department of Employment and Training does hope that the committee will reauthorize the credit. The reason I'm here is that I have conducted an evaluation of the credit, which deals with some of the points that have already been raised for the National Commission for Employment policy in conjunction with the State of Missouri Department of Labor and Industrial Relations.

First of all, I have to say, anything I say is my interpretation of what we have had so far. It does not reflect the views of the National Commission or either State.

We collected data in response to a request from Congressman Stark last fall asking if there was information on whether participants experience earnings gains from the program and do they experience changes in the types of jobs they get, the industry in which they are employed as a result of the program? So I focused on those two issues.

What we did to answer those questions was to look at approximately 2,000 individuals hired in the first half of 1982 in Maryland and Missouri. The two States are somewhat reflective of the national economy, a mix of industries, and that sort of thing. And these 2,000 were divided more or less equally at the beginning into three subgroups, a comparison group of people who did not participate in the program but met the eligibility criteria, a group who did meet the eligibility criteria who were vouchered and hired under the program, and a third group that we call the retroactives who were found eligible after they went to work under provisions of the law that allow request for certifications to be made.

We limited the groups we looked at to four of the major groups under the program simply to reduce the number of variables. We looked at the disadvantaged youth, Vietnam veterans, vocational rehabilitation clients, and female AFDC recipients and stratified them by race and sex.

The conclusions we had are based on a summary of a large amount of data. There are five basic conclusions that we had regarding the vouchered individuals. Those are the people who were vouchered and then found a job under the targeted jobs tax credit program.

First of all, for male youth, both white and minority, there were unequivocal earning gains for those who participated under TJTC compared to a comparison group. Likewise for white and minority vocational rehabilitation clients, and for white and minority AFDC recipients.

Second, earnings gains for female youth were not as clear. There were some gains, especially for white female youth. But minority females did not show much gain.

Third, the industries in which the vouchered people became employed—and it is important to emphasize that many of the youth are not retained for a significant amount of time—the industries in which those people were employed 2 years after being hired under the tax credit, 1984—because again these are people hired in the beginning of 1982—did differ significantly from the industries in which the comparison group members were employed.

The comparison group tended still to be employed primarily in retailing and service industries. While many of the vouchered were still employed in those industries, a significantly large number had moved into manufacturing, construction, transportation, communications, other types of industries that offer more opportunity for higher incomes, training, that sort of thing.

Fourth, related to the first three conclusions, we do think vouchering helps individuals find better jobs. However, there have been some problems with resistance to mass vouchering on the part of administrative agencies.

We do think vouchering has had a special impact in that the people vouchered seem to be more disadvantaged than people who receive services under JTPA. There seems to be more creaming, as we call it, selecting the less disadvantaged who you can place more easily under programs like JTPA because of the fact that the people running the program have an interest in having a person who is easy to place to work with.

TJTC in that sense is more like the GI bill, where an individual who wants to take advantage of it and meets the qualifications can take advantage of it. So the most disadvantaged are entitled to take advantage of the TJTC program.

Last, and I think an important point, related to the discussion of the size of the credit and modifications of the size of the credit, one-third of the vouchered individuals account in our data for most of the gains, both the changes in industry of employment and especially in the income gains.

We think that considerations should be given to modifying the credit to reward retention, to reward those companies that pay a slightly higher starting wage, because the people who did achieve higher incomes over the 2 years tended to be the people hired in the job with higher starting wages. They weren't tremendously higher, but somewhat higher. And the current credit really does not reward those employers any more than it rewards a minimum wage employer.

There were five conclusions that we reached regarding those who were found eligible after they had already begun employment, the retroactives, hired under the provisions that require of sending a request letter to the State job service. This group was disproportionately from among the white youth category. They appeared to be somewhat less disadvantaged based on their preeligibility income levels. There were virtually no vocational rehabilitation clients or Vietnam era veterans among that group in the two States we studied.

Second, the only really significant gains for people who were found eligible retroactively were for the male youth. And since the white male youth were at a fairly high level before their participation, the major beneficiaries under the retroactive provisions were minority male youth only.

Third, we found the retroactives did not experience significant changes in the industries in which they were employed. They were still employed 2 years after hired primarily in retail and service type positions.

Fourth, we did find on the positive end that the retroactive part of the program, because it encourages the operation of a number of private firms that help companies claim their credit retroactively, has led to significant promotion of the program among major employers who might otherwise not have found out about it. So we created a private sector initiative to promote TJTC by these provisions.

Finally, retroactivity does provide a competitive alternative in those States where it is difficult for an individual to be vouchered. You can at least be vouchered retroactively if your employer requests a credit before you go to work.

We think the above data speak to three questions related to modifications of the program. The first is that if an adjustment is made in the rate of the credit, it might improve the impact while reducing the cost.

There were two adjustments we could think of, and probably there are others. One would be to increase the second year credit while decreasing the first to reward those employers who retain people. An alternative would be to alter the percentages of the credit but increase the amount of wages on which the credit is earned, such as the amounts in the bill before us.

For example, if we offered a credit of 30 percent of the first 10,000 in wages, an employer would get the same amount as they get today. But they would only get it if they retained the person longer and paid a higher wage. Adjustments such as that might improve the efficiency of the credit without increasing cost and, most probably, actually reducing cost.

Second, attention should be given to the question of the continuation of retroactivity. Retroactivity accounts for a great deal of the administrative paperwork for State administering agencies. To take Maryland as an example, in 1984 alone, Maryland received 47,000 letters requesting tax credits. Some companies apparently send a letter on absolutely everyone who was employed, in order to give them a right to have a retroactive determination.

Of that 47,000, only 2,000 were certified under the program. So there's a lot of paperwork being generated and no doubt a lot of administrative costs incurred by the States, something that could be eliminated without affecting very many individuals. A simple solution would be to require that the person has to be vouchered before they gain employment if the company is to get a credit.

The third point would be that we should give attention to setting up some standards, such as a percentage of individuals who could be retroactively vouchered in any given State, for example, 20 percent of all vouchers, and encourage the Department of Labor to enforce that standard.

Again, it appears as if many of the States are reluctant to voucher a vast majority of eligibilities to allow them to take part of the program.

In general, they are the findings that we have. We dealt primarily with the question of the impact on the wages and on the work experiences of participants.

There are four points that we found related to the amount of the credit. First, 15 percent of the people in our sample who were supposedly certified never began employment for the employer. This results from the requirement that the credit be requested before the person goes to work. So the national certification figures, we would assume, are inflated by approximately 15 percent, which is a fact that has to be considered in computing cost.

Second, the average credit for our samples was around $1,700 per person over 2 years. How that relates to all eligibles, I do not know, but that is a different figure than what we've heard.

Third, you know, the add-back provisions of the credit have to be considered in computing these. I think that relates to Congressman McGrath's comment. This is both a credit and affects deductions. It's added back into deductions. So therefore, the tax rate of the employer is a factor in the net cost of this because you do not get your full credit. You lose an amount proportional to your tax on that amount of additional income.

And then finally, the transfer savings would appear to be significant. We did not estimate the amount. But we do know that AFDC recipients from 1982 who were vouchered had a significantly lower rate of being on AFDC in 1984 than those who did not participate in the program.

Those are the basic conclusions.

[The prepared statement and study referred to follow:]

STATEMENT OF EDWARD C. LORENZ, TJTC COORDINATOR, MARYLAND DEPARTMENT OF EMPLOYMENT AND TRAINING

EXECUTIVE SUMMARY

The goal of the Targeted Jobs Tax Credit (TJTC) is to improve the employment opportunities of certain economically disadvantaged and handicapped job seekers by increasing earnings and reducing the length of the job search. The purpose of this study is to learn if that goal has been achieved. It does so by asking two questions about the impact of TJTC upon program participants:

1. Do participants experience earnings gains from the program, and
2. Do they experience job changes which improve their standing in the labor force?

The study examines these two questions by tracking the incomes and work histories of program participants over a three year period, beginning one year before employment under TJTC and extending two years after the date of hire. The experiences of a comparison group of program eligibles are tracked, as well, to provide a standard against which changes can be measured. Included in the study are 1,031 persons hired under TJTC in Missouri and Maryland in the first six months of 1982 and a comparison group of 796 persons found eligible in those two states, in that time period, but not hired under TJTC.

The TJTC program is built around three key concepts: wage subsidization, targeting on certain groups among the unemployed, and vouchering. Wage subsidization has been the basic concept behind on-the-job training programs and earlier tax credits. Targeting the subsidy on those with special barriers to employment has been common in many of these programs; however, it contrasts with the New Jobs Tax Credit (NJTC), the immediate predecessor of TJTC. The New Jobs Credit subsidized increases in employment, regardless of what characteristics the new employees possessed. TJTC subsidizes hiring the chronically unemployed, regardless of overall employment growth. Vouchering eligible job seekers so that they can sell themselves to employers is unique to TJTC. Implementation of these concepts introduces a number of variables into the program, including the amount of subsidy, the differences among targeted groups, and the changes in vouchering procedures. It is essential that the variables inherent in each concept be understood and controlled, if meaningful conclusions are to be derived from a study of TJTC.

The variation in wage subsidy is inherent in the design of TJTC. Since the subsidy under TJTC is a percent of the wages paid to an eligible worker during the first two years of employment, the subsidy for each worker will vary because of the wage rate and retention. It can be up to $4,500 per worker spread over two years (a maximum of $3,000 in the first year of employment and $1,500 the second). In this study, the variation in credits is one of the factors being studied as a part of the evaluation of incomes and work histories; therefore, it is carefully measured but not controlled.

Targeting, in contrast, introduces basic variables in the characteristics of eligibles which must be controlled if the results of the study are to have meaning. The groups eligible for TJTC are:

1. Low income youth, 18 to 24 years of age;
2. Low income youth, 16 or 17 (only during the summer or if in high school work-study programs);
3. Welfare recipients, receiving Aid to Families with Dependent Children (AFDC), or General Assistance;
4. Low income Vietnam era veterans;
5. Low income ex-felons; and
6. Handicapped persons, who have either participated in vocational rehabilitation programs or received Supplemental Security Income (SSI).

There are significant differences among persons from these groups. For example, AFDC recipients are primarily female, while Vietnam era veterans are primarily male. The wage subsidy does not have the same impact on earnings of members of such varied groups. To reduce the number of group variables, persons from only the four largest are included in this study: low income youth (over 17 years of age), welfare recipients, Vietnam era veterans, and the handicapped. In turn, the samples selected are balanced by age, sex, and race. Only in this way could demographic variables and those associated with targeting be kept to a manageable number.

The TJTC vouchering procedures, which implement the unique concept of the program, introduce additional variables into the evaluation. Vouchering is the initial part of certifying that a worker entitles a business to a credit. It allows chronically unemployed persons to get a form (voucher) redeemable for a tax credit by any business which gives the worker a job. The eligible job seeker can get a voucher at various public employment programs and offer the form to any business where the worker wishes employment. The fundamental variable in TJTC vouchering is the possibility of receiving a tax credit retroactively, that is, on a worker not vouchered before hire. As with controlling for variations by targeted group, controlling for the timing of the eligibility determination relative to the hire date is essential in measuring the subsidy's impact.

Controlling for retroactivity, while fairly simple, requires an understanding of TJTC administrative procedures. Involved in the vouchering concept are two forms, which must be produced by public employment and training programs: the voucher and the certification. The voucher is designed to be given to a job seeker who does not yet have a job. Once hired, the job seeker surrenders the form to the employer, who fills-in the name of the business and submits the voucher to the state employment service's tax credit processing office. After a review of the documents involved in the determination of the worker's eligibility, the employment service mails the employer a certification form, which justifies claiming a tax credit on wages paid to the eligible worker.

Retroactivity has persisted apparently for two related reasons. Both corporate and public employment agency administrators have had difficulty adapting to vouchering. Corporate personnel administrators, particularly from national retailers and other businesses with many hiring locations, have been successful in winning exceptions to timely vouchering, citing the inability of public agencies to provide vouchered applicants in a timely manner. Public employment agency administrators have sustained the employer position by questioning public agency responsibility for vouchering, and by pleading a lack of resources and rewards for vouchering. Not until early 1982 was a "final" assignment of agency vouchering responsibilities developed. Retroactivity, however, continues to this day.

In the initial legislation and the administrative procedures implementing TJTC, in 1978, there was no reference to the timing of vouchering in relationship to the hire date. A number of companies had personnel records screened, usually by consulting firms established specifically for the purpose, to see how many eligibles were on their payroll. Any that had been hired after the law's passage could be sent to a vouchering agency for a determination of eligibility. If vouchered at this time, the company could get a certification and tax credit, even though the worker's eligibility had not been known at the time of hire. Generally, in such situations, the credit was not a major factor in the hiring decision. Such retroactive determinations, in

1981, accounted for 62.6% of all certifications. The Economic Recovery Tax Act of 1981 imposed the first restrictions on the timing of vouchering, ostensibly eliminating retroactive credits.

Under the 1981 amendments, a company wanting credits on workers not vouchered before hire had to send letters requesting tax credits to the state employment service before hiring non vouchered eligibles. Such letters demonstrated interest in the credit and assured the right to have workers' eligibility determined retroactively. This change did not eliminate retroactive credits, it merely led certain businesses to send "letters of request" to the Job Service on every person hired. The third party consulting firms, which had helped companies screen current employees before 1981, contracted with businesses to generate letters requesting credits on every new employee. The Maryland Job Service, for example, received over 47,000 letters of request in 1984. Only 2,000 persons out of the 47,000 ever were certified.

Of course, public employment and training agencies could have minimized the need for retroactive vouchering, had they vouchered most eligibles. However, at the start of the program, many agency leaders did not know either which agency was responsible for vouchering or why the responsible agency should voucher. The confusion about who could voucher became entwined in interagency rivalries between Comprehensive Employment and Training Act (CETA) prime sponsors and state Job Services, with the Department of Labor attempting to play the role of a mediator. Not until early 1982 was it decided that all appropriate agencies should voucher, including CETA programs (since replaced by Job Training Partnership Act [JTPA] programs), the Job Service, welfare offices, vocational rehabilitation agencies, and similar programs.

Even after the responsibilities of the various public employment agencies had been delineated, many could not see why they should vigorously voucher all eligibles. TJTC vouchering does not fit within the measures of program success which apply to most agencies. The voucher is designed to allow the job seeker, once the form is issued, to conduct a job search independent of any agency. However, the state Job Services are dependent on the concept of "placement" for evaluation of their productivity. Placement credit is received only if the agency matches a specific worker with a specific job. Other agencies, such as CETA prime sponsors and the newer JTPA programs, often are interested in TJTC only if it helps specific trainees find work. It is not in their interest to use staff to voucher the mass of eligibles. Until recently, most vouchering was done because employers initiated it.

In the last two years the resistence to vouchering has been overcome, primarily as a result of the growing employer acceptance of the program. One of the best examples of the acceptance of vouchering is the changed Job Service attitude toward TJTC, a change which does not have totally positive results for agency clients. In order to get placement credit for vouchering, the Job Service has developed a cooperative relationship with major retroactive users of TJTC that allows the agency to get placement credit for its work. Called "positive recruiting," the relationship involves Job Service staff assisting employer personnel staff in screening applicants at seasonal recruitments or the opening of new facilities. The Job Service staff are welcomed because they voucher the applicants on-site, eliminating post-hire trips to the Job Service. Agency staff play little or no role in referring job seekers to these recruiting situations. The applicants have found the employer by the time Job Service staff interview them. Job Service staff do receive placement "credit" for their work; however, since they see the job seeker before the employer offers the job. The work involved in "positive recruitment," can be substantial. In Maryland, in 1984, over 1,000 workers were certified as a result of such procedures.

There are four problems with retroactivity and positive recruitment. This activity takes scarce staff away from providing real job referral assistance, including TJTC vouchering, to workers who do not know where to apply for a job. In addition, persons found eligible retroactively are not representative of all eligible categories, being primarily white youth. Furthermore, the white male youth have had pre-TJTC incomes significantly higher than non-retroactively certified white males, indicating that they often may not be as disadvantaged as others. Finally, two years after being hired under TJTC, the pattern of industrial employment of the retroactively certified did not differ from that of the comparison group, both groups being concentrated more in the retail and service sectors than persons vouchered before beginning TJTC employment.

Retroactivity has had some positive results, however. Retroactively certified minority male youth, as well as white male youth, have had significant income gains, relative to the comparison group, in every measure used in this study. Female youth, with some qualifications, also showed marked earnings gains. In addition, in their quest for customers, TJTC consulting firms have done a remarkable job of promoting the credit. In Maryland, alone, over 500 employers systematically seek retroactive credits on their youthful employees. Perhaps most importantly, retroactivity has provided a competitive alternative to the indifferent support for TJTC vouchering often displayed by public employment and training programs.

In contrast to the qualified gains of those certified retroactively, the average vouchered participant experienced unequivocal gains under TJTC. The study reaches the following general conclusions regarding the impact of vouchering:

1. Most subgroups among those vouchered before hire experienced income gains significantly greater than the comparison group. Those subgroups included, male youth, both white and minority; vocational rehabilitation clients, male and female, minority and white; and AFDC recipients, minority and white (only females were included in the study). There were mixed results for females youth, with white females earning much more than minority females. Vietnam-era veterans, while experiencing great earnings gains under TJTC, did not experience gains significantly greater than veterans in the comparison group.

2. Most of the gains were the result of the great gains made by approximately one-third of the participants, those who made over $5,000 in the year following being hired. This group remained with their TJTC employers for many months, and sixty-one percent were still employed by the certified employers in the second year after certification, with one third entitling their employers to the maximum credit. However, the other two thirds did not remain employed for a long time with their TJTC employers; they quickly returned to the income levels and employment patterns experienced by the comparison group. This finding has implications for the duration and amount of the credit.

3. Two years after hired under TJTC, those using the voucher to secure jobs were employed in industries significantly more varied than the industries employing the comparison group. While most were employed in retailing or in service industries, a significantly large minority had entered transportation, communications, construction, and manufacturing employment. Since such industries tend to be those offering better wages and greater on-the-job training potential, those vouchered before hire probably have gained training, as well as higher income, from their participation in TJTC.

4. Vouchering has become a workable procedure for assisting the job search efforts of many disadvantaged persons. This study found the persons from Missouri and Maryland vouchered before hire had used the form to secure significant earnings gains, through quicker entry into the work force. In addition, the form appears to have increased participants' chances for entry into industries with comparatively good opportunities for job training and retention.

This study provides information related to three proposed program changes, in addition to program reauthorization, which could increase TJTC's impact while reducing its costs:

1. The most important, from a policy perspective, may be that related to the size of the credit. Other studies have suggested that the small difference in productivity between TJTC eligibles and non-eligible workers, justify a smaller, one year credit. The fact that most income gains by participants are experienced by a small number, who remain with the TJTC employer for a comparatively long time, challenges this suggestion.

If the credit formula is to be changed, at least two alternatives would reduce short term credits and costs while reinforcing program impact:

a. Increasing the second year credit while decreasing the first or

b. Continuing the maximum credits while lowering the rate at which they are earned (such as, 30% of the first $10,000 in wages in the first year and 15% of the first $10,000 in the second).

2. In addition to questions related to the amounts of the credit, this study suggests additional attention might be given to retroactive certification. One problem of retroactivity is its use in the employment of only certain groups of eligibles.

Perhaps businesses relying on retroactive eligiblity determinations should be required to file annual TJTC hiring plans with the states, specifying their commitment to employing all eligibles. Administrative cost reductions are possible with little decline in impact if either of two alternatives for eliminating "letters of request" were adopted:

a. Replacing the "letter of request" procedure with mandatory pre-employment vouchering or

b. Allowing a brief post-hire "grace period," during which retroactive eligibility determinations could be done without a "letter of request," with no determinations allowed after that period.

3. Finally, attention could be given to encouraging more preemployment vouchering. Several administrative changes could help. First, counting regular and retroactive certifications, which was done in 1981, could be resumed. Then, states could be held accountable for maintaining relatively low levels of retroactive certifications. A non-retroactive factor could be included in the funding formula for state Job Services, thereby encouraging more vouchering of job seekers.

Generally, this study has found benefits from TJTC participation, despite some administrative problems. While the findings of this study differ from some other TJTC evaluations, they are quite logical. Offering a $4,500 subsidy to businesses for each handicapped and low income job seeker hired, inevitably would have an impact upon employer hiring policies and the incomes of eligibles. The program has fostered regular private sector cooperation with employment and training agencies. If attention is given to refining the vouchering process, the program will continue to have an important impact upon the employment problems of the disadvantaged, with less waste of administrative funds and tax expenditures.

THE TARGETED JOBS TAX CREDIT:

AN ASSESSMENT

by

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EXECUTIVE SUMMARY

The goal of the Targeted Jobs Tax Credit (TJTC) is to improve the employment opportunities of certain economically disadvantaged and handicapped job seekers by increasing earnings and reducing the length of the job search. The program is built around three key concepts: wage subsidization, targeting on certain groups among the unemployed, and vouchering.

The purpose of this study is to learn if the program's goals have been achieved. It does so by asking two questions about the impact of TJTC upon program participants:

1. Do participants experience earnings gains from the program, and
2. Do they experience job changes which improve their standing in the labor force?

The study also examines the administration of the program, particularly the implementation of subsidization, targeting, and vouchering. The conclusions are based upon an examination of the incomes and work histories of program participants over a three year period, beginning one year before employment under TJTC and extending two years after the date of hire. The experiences of a comparison group of program eligibles were tracked, as well, to provide a standard against which changes could be measured. Included in the study were 1,031 persons hired under TJTC in Missouri and Maryland in the first six months of 1982 and a comparison group of 796 persons found eligible in those two states, in that time period, but not hired under TJTC.

The groups eligible for TJTC are:

1. Low income youth, 18 to 24 years of age;
2. Low income youth, 16 or 17 (only during the summer or if in high school work-study programs);
3. Welfare recipients, receiving Aid to Families with Dependent Children (AFDC), or General Assistance;
4. Low income Vietnam era veterans;
5. Low income ex-felons; and
6. Handicapped persons, who have either participated in vocational rehabilitation programs or received Supplemental Security Income (SSI).

To reduce the number of group variables, persons from only the four largest were included in this study: low income youth (over 17 years of age), welfare recipients, Vietnam era veterans, and the handicapped. In turn, the samples selected were balanced by age, sex, and race. Only in this way could variables be kept to a manageable number.

The study gives special attention to evaluating the vouchering process. Vouchering is the initial part of certifying that a worker entitles a business to a credit. It allows chronically unemployed persons to get a form (voucher) redeemable for a tax credit by any business which gives the worker a job. The eligible job seeker can get a voucher at various public employment programs and offer the form to any business where the worker wishes employment. The fundamental problem with TJTC vouchering has been the possiblity of receiving a tax credit retroactively, that is, on a worker not vouchered before hire.

The study reaches the following general conclusions regarding the impact of TJTC:

1. Most subgroups among those vouchered before hire experienced income gains significantly greater than the comparison group. Those subgroups included, male youth, both white and minority; vocational rehabilitation clients, male and female, minority and white; and AFDC recipients, minority and white (only females were included in the study). There were mixed results for female youth, with white females earning much more than minority females. Vietnam-era veterans, while experiencing great earnings gains under TJTC, did not experience gains significantly greater than veterans in the comparison group.

2. Most of the gains were the result of the great gains made by approximately one-third of the participants, those who made over $5,000 in the year following being hired. This group remained with their TJTC employers for many months, and sixty-one percent were still employed by the certified employer in the second year after certification, with one third entitling their employer to the maximum credit. However, the other two thirds did not remain employed for a long time with the TJTC employer; they quickly returned to the income levels and employment patterns experienced by the comparison group. This finding has implications for the duration and amount of the credit.

3. Two years after being hired under TJTC, those using the voucher to secure jobs were employed in industries significantly more varied than the industries employing the comparison group. While most were employed in retailing or in service industries, a significantly large minority had entered transportation, communications, construction, and manufacturing employment. Since such industries tend to be those offering better wages and greater on-the-job training potential, those vouchered before hire probably have gained training, as well as higher income, from their participation in TJTC.

4. Vouchering has become a workable procedure for assisting the job search efforts of many disadvantaged persons. This study found the persons from Missouri and Maryland vouchered before hire had used the form to secure significant earnings gains, through quicker entry into the work force. In addition, the form appears to have increased participant's chances for entry into industries with comparatively good opportunities for job training and retention.

The above conclusions relate to the impact of TJTC when a job seeker is vouchered and then hired. In many cases, the tax credit is certified retroactively; that is, when the worker's eligibility is determined after employment begins. Retroactivity exists for two related reasons. Both corporate and public employment agency administrators have had difficulty adapting to vouchering. Corporate personnel administrators, particularly from national retailers and other businesses with many hiring locations, have been successful in winning exceptions to vouchering, citing the inability of public agencies to provide vouchered applicants in a timely manner. Public employment agency administrators have sustained the employer position by questioning public agency responsibility for vouchering, and by pleading a lack of resources and rewards for vouchering.

There were several problems with retroactivity uncovered in this study. Persons found eligible retroactively were not representative of all eligible categories, being primarily white youth. These white male youth have had pre-TJTC incomes significantly higher than non-retroactively certified white males, indicating that they may not have been as disadvantaged as others. Two years after being hired under TJTC, the patterns of industrial employment of the retroactively certified did not differ from those of the comparison group, both groups being concentrated more in the retail and service sectors than persons vouchered before beginning TJTC employment. Finally, a crucial limitation of retroactivity is that it takes scarce public employment agency staff time away from providing job referral assistance and TJTC vouchering for workers who do not have employment, forcing agencies to use some of that time to determine the eligibility of persons already employed.

Retroactivity has had some positive results, however. Retroactively certified male youth, especially minority male youth, have had significant income gains, relative to the comparison group, in every measure used in this study. Female youth, with some qualifications, also showed marked earnings gains. In addition, TJTC consulting firms which developed to assist large corporations to request retroactive credits have done a remarkable job of promoting the credit. In Maryland, over 500 employers systematically seek retroactive credits on their youthful employees as a result of such promotion.

Generally, this study has found benefits from TJTC participation, despite some administrative problems. While the findings of this study differ from some other TJTC evaluations, they are quite logical. Offering a $4,500 subsidy to businesses for each handicapped and low income job seeker hired, inevitably would have an impact upon employer hiring policies and the incomes of eligibles. The program has fostered regular private sector cooperation with employment and training agencies. If attention is given to refining the vouchering process, the program can continue to have an important impact upon the employment problems of the disadvantaged, with less administrative costs and tax expenditures.

INTRODUCTION

The goal of the Targeted Jobs Tax Credit (TJTC) is to improve the employment opportunities of certain economically disadvantaged and handicapped job seekers by increasing earnings and reducing the length of the job search. The purpose of this study is to learn if that goal has been achieved. It does so by asking two questions about the impact of TJTC upon program participants:

1. Do participants experience gains in earnings from the program, and
2. Do they experience job changes which improve their standing in the labor force?

The study examines these two questions by tracking the incomes and work histories of program participants in two states, Maryland and Missouri. It also reviews administrative procedures implementing the basic concepts of the program.

The TJTC program is built around three key concepts:

1. Wage subsidization,
2. Targeting on certain groups among the unemployed, and
3. Vouchering.

Wage subsidization has been the basic concept behind on-the-job training programs and earlier tax credits.[1] Targeting the subsidy on those with special barriers to employment has been common in many of these programs; however, it contrasts with the New Jobs Tax Credit (NJTC), the immediate predecessor of TJTC, which subsidized employment growth irrespective of the characteristics of the additional employees.[2] Vouchering eligible job seekers so that they can sell themselves to employers is unique to TJTC, at least among major employment programs.[3] Implementation of these concepts introduces a number of variables into the program, including the amount of subsidy, the differences among targeted groups, and the changes in vouchering procedures. It is essential that the variables inherent in each concept be understood and, where possible, controlled, if meaningful conclusions are to be derived from a study of TJTC.

The variation in wage subsidy is inherent in the design of TJTC. Since the subsidy under TJTC is a percent of the wages paid to an eligible worker during the first two years of employment, the subsidy for each worker varies because of the wage rate and retention. The credit can total up to $4,500 per worker, earned at the rate of 50% of the first $6,000 in wages paid in the first year of employment and 25% of the first $6,000 paid in the second year. Because there is no retention requirement, the actual credits earned on a given worker can be any amount from one dollar to the maximum. In this study, the variation in credits was one of the factors being studied as a part of the evaluation of incomes and work histories; therefore, it was carefully measured but not controlled.

Targeting, in contrast, introduces basic variables in the characteristics of eligibles which must be controlled if the results of the study are to have meaning. The groups eligible for TJTC are:

1. Low income youth, 18 to 24 years of age;
2. Low income youth, 16 or 17 (only during the summer or if in high school work-study programs);
3. Welfare recipients, receiving Aid to Families with Dependent Children (AFDC) or general assistance;
4. Low income Vietnam era veterans;
5. Low income ex-felons; and
6. Handicapped persons, who have either participated in vocational rehabilitation programs or received Supplemental Security Income (SSI).

There are significant differences among persons from these groups. For example, AFDC recipients are primarily female, while Vietnam era veterans are primarily male. Most youth eligible either for summer employment or work-study positions under TJTC are expected to remain in school, making measurement of earnings or labor force participation inappropriate in the short term. Consequently, a study of TJTC must not indiscriminately mix members of the groups in samples or use measures of impact for all groups which might only apply to some.

The TJTC vouchering procedures introduce additional variables into the evaluation. Vouchering is the initial part of certifying that a worker entitles a business to a credit. It allows members of the eligible groups to get a form (voucher) redeemable for a tax credit by any business which gives the worker a job. The eligible job seeker can get a voucher at various public employment programs and offer the form to any business where the worker wishes employment. The fundamental variable in TJTC vouchering is the possibility of receiving a tax credit retroactively, that is, on a worker not vouchered before hire. Controlling for retroactivity allows the impact of vouchering to be measured, for the voucher is presumably irrelevant to the job offer when the eligibility determination is done after hire.

This study begins with a review of the methods used to sample the eligible populations and to collect income and work experience data. It reviews the implementation of the major concepts in TJTC, particularly regarding vouchering. The impact of TJTC participation on those program participants selected in Missouri and Maryland is then reviewed. Finally, the implications of the findings relative to program design are summarized.

MEASURING TJTC IMPACT UPON EARNINGS AND WORK HISTORIES

To measure the impact of TJTC upon participants, this study tracked the incomes and work histories of persons hired under TJTC (on whom a tax credit certification was requested) over a three year period, beginning one year before employment under TJTC and extending two years after the hire date. The experiences of a comparison group of program eligibles were tracked, as well, to provide a standard against which changes could be measured. Included in the study were 1,031 persons hired under TJTC in Missouri and Maryland in the first six months of 1982 and a comparison group of 796 persons found eligible in those states, in that time period, but not hired under TJTC. Maryland and Missouri were selected because they were among the three states with larger populations to have vigorously pushed vouchering in the early years of the program, a fact deemed to be objective proof of commitment to the intent of TJTC.[4] Those states, also, included a representative sample of industries, unemployment rates, and per capita incomes. The time of hire, early 1982, was determined by the fact that it was the most recent period after which two full years of income data would be available. It also was after the last major legislative and administrative changes in the program, resulting from passage of the Economic Recovery Tax Act of 1981.

The incomes and work histories of the persons hired and certified under TJTC were examined beginning with the first full calendar quarter after hire, since the wage records were by quarters, through the eighth quarter after hire. Incomes were also checked for the four quarters before the quarter of hire. Thus for each worker hired under TJTC three years of income data were reviewed. While comparing the two post-hire years to the one pre-hire year provided some measure of program impact, the earnings of a comparison group were tracked for a three year period to provide a reference point for the results. The comparison group was composed of persons vouchered for TJTC during the first six months of 1982 in the two states but never hired under the program.

Selecting the comparison group from among those vouchered but not certified had both advantages and disadvantages over using a random sample from the general population. Positively, the procedure assured that members of the group were sufficiently active in the labor market in early 1982 to have sought out the TJTC eligibility determination office in their community, just as had those vouchered and hired. A number of potential variables related to the character of the job search, such as, dependence upon public employment programs, were eliminated from consideration by selecting the comparison group from among persons vouchered. Negatively, using this selection criterion introduced a potential difference between the comparison group and those hired under TJTC. Those hired under the program were known to have secured a job during the selection period; the comparison group members did not have to do so. If the TJTC participants experienced only temporary gains immediately after being hired, this selection procedure might have exaggerate the significance of those gains relative to the comparison group. Alternative methods for selecting a comparison sample appeared to raise more serious possibilities of biasing the results. References to the results of other studies of the earnings of populations similar to those participating in TJTC were used to check the reliability of the comparision group.

To reduce the number of variables, persons from only the four largest groups eligible for TJTC were included in the study: low income youth, eighteen to twenty-four years of age; recipients of Aid to Families with Dependent Children; Vietnam era veterans; and vocational rehabilitation clients. These four groups accounted for 83% of persons found eligible nationally in 1984. The smallest excluded group, recipients of SSI, included less than 1% of all eligibles. The other excluded groups were former CETA participants, a group eligible only in 1981-82; low income summer employees, under 18; general assistance recipients; cooperative education students; and low income ex-felons. There were several reasons for excluding these groups. The economically disadvantaged summer employee category was not a category until 1983, the year after the hire period used in this study. Since the general assistance and AFDC groups are similar in that both include "welfare recipients," only the larger was included in the study. The other two categories, the cooperative education students and the ex-felons were excluded because different methods of evaluating program impact were needed for them.

The cooperative education student category is unique in several ways. Most importantly for this study, the measurement of the impact of the program on co-op students requires techniques different from those used here. It is assumed, for example, that a co-op student will be leaving his co-op employer. Changes in earnings over a two year period for co-op students would not be an appropriate measure of program impact. The most successful co-op student in 1982, for example, might be one who learned from his or her employment experience that further full-time schooling was necessary. Such a student would not even be in the labor market at the end of the evaluation period used here.

The economically disadvantaged ex-felon category, likewise, presents special measurement problems. Since a large portion of the eligibles in the group are in work-release programs, employment will terminate upon the end of incarceration, if the inmate moves to a home far from the prison. In other cases, changes in institutional rules cause the employment experience to end prematurely. In general, the unique characteristics of the group make its inclusion with the majority of eligibles difficult.

Another factor in sampling was the timing of the voucher relative to hire. Since many persons on whom tax credits are received are hired before eligibility is determined, it was imperative that two groups of employed individuals be maintained. Those issued a voucher before hire and subsequently hired under TJTC were the first group, called the vouchered group. Those determined eligible after hire were called the retroactively certified, since the credit was certified based upon information supplied after hire. While some employers of the retroactively certified may have assumed they were to receive a tax credit on the worker at the time of hire, it could not be known with certainty that they believed the worker was eligible. It was assumed that the employers of vouchered workers knew the credit was available, since they submitted the voucher given them by the worker before the worker began employment. By keeping the vouchered and the retroactively certified groups distinct, any differences in incomes or work histories which might have resulted from the timing of the determination of eligibility could be measured.

In addition to targeted group and the timing of the eligibility determination, several demographic factors affected the numbers selected in the samples, including race, sex, and age. Sampling by these factors both eliminated variables and insured sufficiently large samples by race and sex for conclusions to be reached for targeted persons with specific race and sex characteristics. Since youth under 25, in all categories, made up over 60% of certifications in 1984, particular attention was given to youth. Half of each of the three samples were to be youth under 25 years of age, stratified equally between white males, white females, minority males, and minority females. Because persons can be eligible in more than one group, such as an AFDC recipient under 25 years of age, sampling for the non-youth groups was restricted to persons over 24 years of age. AFDC recipients and vocational rehabilitation clients under 25 were included in the youth sample. Vietnam era veterans were not found under 25 years of age. Consequently, the categories used in this study are more precise than those eligible for the program.

The comparison, the vouchered, and retroactively certified groups were to include in each state no more than the following number of persons with the indicated charateristics:

Characteristic	Number
Youth	
White male	50
White female	50
Minority male	50
Minority female	50
Vocational Rehabilitation clients	
White male and female	25
Minority male and female	25
Vietnam Era Veterans	
Minority male	25
White male	25
AFDC recipients	
White female	50
Minority female	50

Hence, from both states, a maximum of 1,200 individuals were to be tracked, four hundred with the above characteristics, in each of the three groups.

Using Maryland as an example, these samples were pulled from populations of the following sizes. There were 4,069 persons from whom to draw the comparison group, 976 for the vouchered, and 725 for the retroactively certified. Of the 4,069 in the comparison group, 2,144 were youth, 1,311 AFDC recipients, 324 Vietnam era veterans, and 290 vocational rehabilitation clients. The vouchered group included 499 youth, 291 AFDC recipients, 88 Vietnam era veterans, and 98 vocational rehabilitation clients. The retroactively certified population totalled 652 youth, 48 AFDC recipients, 14 Vietnam era veterans, and 11 vocational rehabilitation clients. A result of these subtotals was that the retroactive group, in both states, included fewer than 400 total members, since the total population of retroactives contained fewer than the maximum projected sample in the veteran, welfare, handicapped and certain youth categories.

Once the samples were selected, three sources of data were used to describe characteristics of the samples, to measure the incomes, and to track the employment histories of individuals. First, TJTC program records (the TJTC applicant characteristics forms and employer vouchers) provided data on the following: age, residence (urban or rural), and date of participation. For those hired under TJTC, those records also listed the starting wage and the job title of the position into which the worker was hired. In Maryland, the employer data on the forms was used to determine the industrial classification of the hiring business. Data from Maryland AFDC records provided a means to track reentry into AFDC in 1983-84 of persons with AFDC characteristics in 1981-82. Unemployment insurance wage records gave gross income information on each individual, with reported earnings from January 1981 through June 1984. In addition, in Maryland, the industrial classification of the June 1984 employer was determined from the records. Finally, the unemployment insurance wage records of both states showed past and current claim histories.

There were several important limitations in these data sources. For example, since the employer vouchers for those hired under TJTC often were submitted before the job seeker began employment, the employment anticipated on a few of the forms never materialized. Neither the AFDC nor unemployment insurance data provided information for other states. Should a worker from St. Louis cross into Illinois to work, for example, income from that job would not appear on the records. Another limitation of the unemployment insurance data was that only wages were reported. Self employment income was not revealed. Finally, a small percentage of employment was not covered by the unemployment insurance system. These limitations might have resulted in some underestimation of incomes and of reentry rates into welfare; however, there was no reason to believe the resulting inaccuracies should be more prevalent among either the comparison or certified groups.[5]

While none of the limitations above should have biased the results of the study in favor of one group, there were some fundamental limitations in attempting to assess program impact by tracking wage and related records over a three and a half year time period. Care was required to interpret the meaning of the data from the year before eligibility properly. This information was collected, primarily, to check the similarities among the three groups. For the categories other than youth, one year of earnings data was too little to make generalizations upon the individuals' long term earnings patterns.[6] For youth, averaging 21 years of age on June 30, 1982, the 1981 earnings were from the 19th or 20th year of age for the average individual. Whether or not the youth participated in TJTC or any other program, some earnings gains would have been expected for such a two and a half year time period, at the end of which the 19 year old from 1981 would have become 22 years of age. The importance of the comparison group, considering these limitations, was that it provided a standard against which to make a relative comparison of program impact. Program impact, of course, could be judged also by comparing the results found here with the results of other studies tracking earnings and work experiences of similar populations.

The time period covered in this study was one in which the economy changed from the beginning of a major recession in 1981 through the depths of the recession in 1982 and 1983 to a recovery in 1984. Such changes had an impact upon the earnings of the disadvantaged population eligible for TJTC. In 1982 the Missouri unemployment rate was 9.2% and in Maryland 8.4%. The rates varied greatly within the subdivisions in both states. In Missouri, rural Atchison County in the northwest corner of the state had a rate of only 3.9%, while Washington County on the fringe of the Ozarks had a rate of 22.3%. The variation was nearly as great in Maryland. There, Montgomery County, part of the affluent Washington D. C. suburban area, had a rate of 3.9%, while rural Somerset County on the Eastern Shore had 19.7%. Of the major cities in the two states, Baltimore had the highest unemployment rate, at 11.4%, with St. Louis, at 10.8%, and Kansas City,at 10.4%, only slightly behind. The two states, combined, have almost exactly the per capita income of the country, with Maryland about $500 above average and Missouri $500 below. Income figures collected as part of this study reflected these differences between the states. In 1980, the population 18 and above living below the poverty level was 12.2% in Missouri and 9.8% in Maryland, for a total of 383,378 Missourians and 258,659 Marylanders.[7]

Since 1982, there have been several changes in program useage in both states. Most noticeable has been the great growth in the number of participating workers and employers. In 1982, 21,796 persons were found eligible for TJTC in Maryland, including 10,019 in the disadvantaged youth category. In Missouri, 19,778 were found eligible, including 11,828 youth. By fiscal year 1984, the totals had grown to 31,944 in Maryland and 42,574 in Missouri. Reflecting the improved economy in 1984, compared to 1982, 42% of all vouchered individuals were hired, compared to 32% two years earlier. In addition to growth, there have been other changes. In Maryland, the percent of service jobs among all starting jobs rose from 32% in 1982 to 45% in 1984, with the gain coming at the expense of bench work jobs, which declined from 16% of all positions in 1982 to 5% in 1984. Surprisingly, the starting wages did not show a significant change. The percent of eligibles hired by racial category did not change significantly, going from 63% black in 1982 to 62% in 1984. Age was constant, except for the addition of the new category of 16 and 17 year old summer youth. The most significant changes, therefore, were the great growth of the program and the shift away from manufacturing, the latter reflecting general economic changes.[8]

In both states, similar problems were encountered with finding a full compliment of eligibles with certain charateristics. Ultimately, 1,827 individuals were included in the study, not 2,400 as originally planned. There were two important findings inherent in this smaller number.

- The vouchered group did not have 800 cases because 109 individuals selected from state certification records did not really begin employment for the employer receiving the certification. While it had been assumed that this problem would be encountered to a small extent, with initial sample sizes adjusted upward, accordingly, the magnitude of the problem resulted in lower than expected useable samples in both states. Likewise, a few of the retroactively certified were lost because of the same reason.

- Only the two white youth groups among the retroactively certified had a full number of cases. In fact, five of the categories among the retroactive had less than twenty members in the two states, and were dropped from the study. The minority youth and the minority AFDC categories among the retroactively certified only had sufficient numbers to be studied when the entire population of TJTC workers with those characteristics, not a sample, was included.

Table 1, below, shows the number of persons in each group, by characteristic, included in the study.

TABLE 1

CHARACTERISTICS OF SAMPLE, BY GROUP, MARYLAND AND MISSOURI

CHARACTERISTIC	COMPARISON GROUP	VOUCHERED GROUP	RETROACTIVE GROUP	ALL GROUPS
White male youth	99	88	92	279
White female youth	100	96	93	289
Minority male youth	100	86	66	252
Minority female youth	99	84	64	247
White voc. rehab.	50	38		88
Minority voc. rehab.	50	38		88
Minority Viet. vet.	50	34		84
White Viet. vet.	50	48		98
White female AFDC	100	73		173
Minority female AFDC	98	87	44	229
GROUP TOTAL	796	672	359	1,827

The absence of significant numbers of persons from most categories among the retroactively certified raised a fundamental question relative to TJTC administrative procedures. Put most simply, why has retroactivity continued as a part of TJTC? The widespread acceptance of the wage subsidy portion of TJTC by many employers of youth is reflected in retroactivity. However, retroactivity results from failure to implement the two other concepts included in TJTC. First, retroactivity inherently represents ignorance or rejection of the formal vouchering process. In addition, since retroactive credits have been received primarily on only some categories among the eligible populations, retroactivity incorporates a rejection of the concept of targeting.

In order to understand the survival of retroactivity in the TJTC administrative process, it is necessary to review the origins of TJTC and the subsequent attempts to implement the vouchering and targeting provisions. These attempts resulted in workable vouchering procedures which currently reach many eligibles. The process, however, continues to include procedures inconsistent with the intent of TJTC.

THE CERTIFICATION PROCESS

A review of the sections of the Revenue Act of 1978, which established TJTC, reveals few differences with the current program. The amount of the subsidy under TJTC has not changed, and group definitions have been changed only slightly. A superficial review of vouchering procedures, also, reinforces the appearance of stability. For example, the tax credit forms, including the voucher and certification, designed in late 1978 are virtually identical to the forms used in most states today. However, there have been recurring problems and adjustments of the certification process. These problems arise from confusion regarding the proper role of vouchering.

In the period before the establishment of TJTC there had been much discussion of the success of vouchering programs for training and employment. The most successful training program, especially for minority and low income participants cited by vouchering supporters was the GI-Bill. The GI-Bill allowed eligibles to select their own training. TJTC followed this model. There were several differences between TJTC and the GI-Bill, however. The GI-Bill included thorough review of the institutions providing training and required the approval of training before it began. Under TJTC there was no review of whether the employer offered a worthwhile job, and, of course, there was no requirement that the job be approved before employment began. While some schools solicited veteran applicants, there was no procedure under the GI-Bill quite like the retroactive provisions of TJTC, where the final matching of the person and the business could be completed before the eligibility process began. The TJTC process has been so open-ended that two systems have developed, a vouchering system and a non-vouchering system.[9]

There are two related sources of support for this dual system. Both corporate and public employment agency administrators have had difficulty adapting to vouchering. Corporate personnel administrators, particularly from national retailers and other businesses with many hiring locations, have been successful in winning exceptions to vouchering, citing the inability of public agencies to provide vouchered applicants in a timely manner. Public employment agency administrators have sustained the employer position by questioning public agency responsibility for vouchering, and by pleading a lack of resources and rewards for vouchering. The survival of the dual system allows for an evaluation of the impact of vouchering, by establishing the retroactivelty certified as an internal comparison group. Additionally, the story of its survival provides a wealth of information on the responsiveness of the public employment and training system to the needs of the disadvantaged.

The TJTC program, with the exception of one portion dealing with students in cooperative education, has functioned as an entitlement program for eligible job seekers and the businesses which employ them. Any income tax paying employer that hires an eligible worker is entitled to a tax credit, so long as the worker meets the program's eligibility criteria and the worker's eligibility has been properly certified. Certification is provided through the public employment service (Job Service) in each state and various other employment and social service agencies working with the Job Service.

The determination of a job seeker's eligibility may be initiated by either public employment agency staff, employers, or job seekers. Particularly when an eligible job seeker requests a voucher TJTC becomes much like the GI-Bill process. Participation is not limited to those who an employer wished to hire or to those that an employment program wished to place but rather is an entitlement for any eligible handicapped or disadvantaged job seeker who wants to use the subsidy to secure employment. Ideally, whether initiated by the job seeker, the employer, or employment agency staff, every credit certified helped a worker secure employment more quickly or secure a job with more potential for training and retention than if there were no credit. Obviously, some credits have no such impact.

Whenever a vouchered worker is hired by a business which would have hired the worker without the credit, certification is irrelevant. Most employment subsidy programs have had problems subsidizing training or employment which would have occurred without the subsidy. However, wasted subsidies appeared to be especially prevalent under the initial TJTC certification procedures. This was the case because the Revenue Act of 1978 made no reference to the timing of eligibility determination. Shortly after the start of TJTC, certain employers began having personnel records systematically screened, usually by consulting firms established specifically for the purpose, to find any employees who had been eligible at the time of hire. Since there was no requirement under the law that eligibility had to be determined before hire, all employees uncovered by such searches could be referred to the state Job Service for certification. In these cases, the existence of the credit had been unknown to the hiring official at the time of hire. By 1981, 62.6% of all certifications resulted from retroactive eligibility determinations.

In that year, the extension of TJTC was threatened by the extremely large number of retroactive determinations. The Economic Recovery Tax Act, passed in July, 1981, included an amendment to the certification rules which, it was claimed at the time, "halts the practice of retroactive certifications by requiring employers to request certification prior to the date on which the employee starts work. This provision . . . was designed primarily to end the practice of consultants - called 'headhunters' - who help employers identify existing workers for retroactive certification in exchange for a percentage of the tax benefits."[10]

Under the 1981 amendments, a company wanting credits on workers not vouchered before hire had to send letters requesting tax credits to the state employment service before hiring non-vouchered eligibles. Such letters demonstrated interest in the credit and assured the right to have workers' eligibility determined retroactively. This change did not eliminate retroactive credits, it merely led certain businesses to send "letters of request" to the Job Service on every person hired. Within a few weeks of the law's passage, Edward Kelly, Vice President of Program Development, for Reed Roberts Human Resource Services, one of the larger consulting firms, wrote in a letter to Department of Labor officials, "We look forward to our continued association with you and the Employment Services; together, we can make the Targeted Jobs Tax Credit Program a success."[11] What Reed Roberts and other consultants realized was that the amendments opened a great market for their services.

The reluctance of businesses to limit themselves only to credits on persons bringing vouchers to the interview led to the establishment by the TJTC consulting firms of systems for generating letters of request. The TJTC consultants set-up twenty-four hour toll free numbers for receiving hire reports from personnel officials of contracting companies and used word processing equipment to generate promptly request letters. Gerstenhaber, Jacks and Company, perhaps the largest consulting firm, instructed McDonald's Restaurant managers in a manual explaining hiring procedures,"Continue to hire the best people you can . . . After the hire decision, but before the new employee is placed on official payroll call [Gerstenhaber, Jacks]."[12] The letters were sent to the appropriate state Job Service office, nearest the hiring facility. Since letters mailed even on the day of hire would be rejected under the law, many businesses felt unprepared to trust their own personnel staff to promptly produce request letters. The process of sending these letters has become a massive undertaking.

The use of this procedure results in massive amounts of paperwork, while affecting relatively few employers and job seekers. For example, in Maryland, which has 2% of the nation's labor force, over 47,000 letters of request were received in 1984. Yet, that number came from only 522 different companies, out of 84,000 private sector employers in the state. Of the 47,000 individuals identified on the letters, only 2,000 were determined eligible retroactively. There is no reason to believe these numbers could not be multiplied by fifty to give national totals.

Not only was the presumed intent of these 1981 amendments not achieved but the amendments were interpreted in such a way that employers hiring vouchered workers were placed at a disadvantage. The Department of Labor warned certain state Job Services on November 6, 1981, that "It appears some employers, using our voucher, form ETA 8468, may be denied certification because their [vouchers] are not postmarked prior to the starting date. The national office has requested a ruling from [the] Internal Revenue Service regarding this matter."[13] Shortly thereafter it was determined that the voucher was nothing more than a letter of request. With many vouchers being rejected during the remainder of 1981 and early 1982, if mailed on or after the day the employee began work for the employer, prudent employers were virtually forced to contract with a consulting firm to have letters sent so that anticipated credits would not be denied because a voucher was mailed back to the Job Service later than the day before hire. The absurdity of this situation led to the mailing requirements being changed in 1982 to allow for mailing no later than the day an employee began work. Even this change did not favor vouchered job seekers over retroactives. Not until the Deficit Reduction Tax Act of 1984 was legal recognition given to the voucher, when a five day "grace period" was allowed for employers mailing vouchers issued prior to employment.

While an evaluation of TJTC must recognize the distinction between persons vouchered before hire and those retroactively certified, the sometime tortuous evolution of the certification process has made even these distinctions unclear. For example, the employer who consciously expected a tax credit on a particular worker, but who elected to send a letter of request because of the risks of losing a credit if the voucher was issued or mailed late, would be considered a retroactive user. In contrast, public employment agencies often perform essentially retroactive determinations of eligibility shortly before hire in order to receive credit for assisting the vouchered workers. In both situations, the impact of the voucher apparent from its timing is deceptive. The attempts by public employment agencies to circumvent the retroactive process are most instructive in appreciating the negative effects of retroactivity, as well as introducing the often contradictory relationship between TJTC and the overall goals of many public employment agencies.

A fundamental problem most public agencies have with TJTC is that it does not easily fit within the measures of program impact used to assess agency performance. For example, state Job Service performance traditionally has been measured by the number of placements resulting from agency efforts. The key elements of a placement are matching a job seeker with a specific job opening. No placement credit can be taken as a result of vouchering a worker retroactively since the worker has secured employment. In the samples pulled for this study in Maryland, 60% of Job Service vouchers issued in early 1982 were retroactive. Job Service staff, observing the volume of uncountable activity, made special efforts to develop vouchering procedures which help the agencies but not the job seekers. Job Services have developed screening arrangements with businesses and their tax credit consulting firms which maximize pre-employment vouchering in what are called "positive recruiting" situations. Job Service staff go to employer work sites on or before the day of hire, when mass applications are being taken, such as seasonal recruitment times for retailers or the opening of new facilities. Here staff perform no real placement function, however, they do intercede at the proper time between the new employee and the employer for placement credit to be taken. TJTC eligible job seekers going to the local Job Service office on such days of "positive recruitment" may receive little or no service because key staff are in the field. Thus, the retroactive determinations doubly take staff away from the primary tax credit function of screening job seekers who are in need of placement assistance.[14]

In addition to the problems resulting from retroactivity, there is a basic institutional conflict between tax credits and the older employment and training programs. As one study noted, most employment and training programs "contain a major bureaucratic component. Eligible individuals must be located and enrolled, assessed and referred to training programs, and trained and placed in jobs. All or at least most of these processes are controlled more or less centrally and hierarchically by a government agency . . . In contrast, however, employment tax credits are sometimes viewed as largely self-administering." [15] When job seekers are vouchered regularly under TJTC, for example, the voucher is intended to serve as an aid in the job seeker's independent job search. The role of employment agency staff is reduced to eligibility determination only. As with the retroactive determinations, seldom is credit given toward agency goals if a vouchered worker finds employment without being referred by the agency. In general, the tax credit vouchering process assumes a degree of interagency cooperation and agency commitment to experimentation and to service to the disadvantaged which are found only rarely in bureacratic organizations.

Problems with interagency cooperation became evident in the first few weeks after passage of TJTC in 1978. There was "intensive debate and discussion between the Department of Labor and the NGA [National Governors' Association] . . . with the particular point of controversy being the role of the Governor in managing the overall implementation of the TJTC program." The NGA "voiced strong protest to DOL and the White House regarding [the] designation" of the Job Service as the administering agency. The NGA favored designating the governor's CETA funded employment and training agency as the administering office. Attempts by the Department of Labor to reach a compromise between CETA and Job Service interests during the next three years illustrate the type of institutional barriers which were faced in TJTC implementation. The Department of Labor instituted various vouchering restrictions designed to protect the interests of the two agencies, only to rescind each set of rules when objections arose. Obsession with the relationship of CETA and Job Service blinded most program administrators to the role under the program of others involved in the job placement of eligibles, such as vocational rehabilitation staff, welfare department social workers, and probation agents. During most of the first two years of the program, the Department of Labor held that only CETA staff could make income determinations for TJTC. Thus CETA counselors were to produce all vouchers on the disadvantaged, while Job Service would administer the issuing of certifications. Job Service administrators saw this restriction as eliminating any possibility of increasing agency placements under the credit. Persistent Job Service lobbying led to a complete reversal of the vouchering policy in 1981.[16]

The Revenue Act of 1978 had not defined the agency which was to administer the TJTC certification process, leaving the final selection to the Secretaries of Labor and Treasury. To end the disagreements and confusion which followed their selection of the state Job Services the original wording was amended in the Economic Recovery Tax Act in 1981. In that law, the Job Service was specifically named as the certifying agency. Rather than view this amendment as a clarification, the Department of Labor interpreted it to mean no agency but Job Service could voucher workers. The National Alliance of Business (NAB) on September 7, 1981, summarized well the problems with this policy shift, saying, "Concern exists about the bureaucratic waste that might result if [CETA placement staff], seeking to use TJTC as a marketing tool for a CETA trainee, were forced to send the job seeker to the Employment Service for vouchering."[17] NAB's concerns were valid, for on September 18, the Department of Labor issued instructions to all agencies involved in TJTC stating, "Effective October 1, 1981, state employment security agencies will be the only authorized vouchering agency [sic]."[18] As in the past, however, this decision was in no way final. Under pressure from the agencies excluded from vouchering by this decision, the Internal Revenue Service on December 22, 1981, made the determination that the law defined only the certification role under TJTC. The Job Service could continue to allow other employment programs to voucher. Accordingly, on January 12, 1982, the Department of Labor informed Job Services of the recision of September 18 vouchering decision.[19]

The review of the history of vouchering restrictions clarifies the fundamental resistance within employment programs to cooperative use of TJTC as an aid to the job search of eligibles. Even where there was no rivalry between agencies over responsibilities, as between Job Service offices and rehabilitation offices, there was little interest in close cooperation. In addition to difficulties with cooperation, another institutional barrier to TJTC success was the inherent resistance of the employment programs to change.

Public employment programs have been used as models of bureaucratic resistance to change. One review of the Job Services found that when they were assigned new duties, many Job Services "struck a plaintive defense posture and then undertook mechanistic implementation without serious attempts at adapting what had been imposed on them to better suit their needs."[20] Specifically, with TJTC, while fighting battles over turf with other employment agencies, some Job Services undertook only "mechanistic implementation" since TJTC did not fit neatly with traditional agency placement objectives.[21] Most of the agencies could not see how the rather informal relationship TJTC vouchering allows between the job seeker, agency, and employer could work to the agencies' advantage. Beyond practical bureacratic intransigence, there were reasoned objections to tax credits among partisans of programmatic solutions to the nation's unemployment problems. As one report noted, in 1981, "Some see tax credits as supplements to programs. Others see them as offering few benefits to the disadvantaged. Theoretical debates go on between partisans of tax credits and partisans of programs."[22]

Complicating the problems of accepting a new program was the entitlement of all disadvantaged persons to vouchering under TJTC. Most public employment agencies have resisted assisting the most disadvantaged job applicants. First, the disadvantaged are the most difficult to place. Whether it be the severely handicapped clients of vocational rehabilitation programs or the chronically unemployed among the applicants for CETA services, all agencies are tempted to "cream," working primarily with those most easily hired. A review of a "workfare" program in Maryland, in 1982, found in two areas of the state that "the majority of . . . participants . . . expressed a high degree of dissatisfaction with the services of the [Job Service] offices. Common complaints included long waiting times and lines [and] hostile or uncaring attitudes on the part of [Job Service] staff."[23] Such problems have been noted in many other areas and states.[24]

The resistance to change, to interagency cooperation, and to providing equal service to the disadvantaged, as well as the problem of reconciling retroactivity to TJTC vouchering, delayed successful implementation of TJTC. By 1982, however, a functional but awkward synthesis of the intent and problems of TJTC had evolved. That this institutionalization of the program was workable was proven by the growth of vouchering and certification from that time to the present. Certifications grew from less than a quarter million in 1982 to over half a million in 1984, a 178% increase. By 1984, the credit was being claimed on half as many cases as the former New Jobs Tax Credit (NJTC), from which it had evolved. Considering that NJTC was not limited to the disadvantaged and was a mandatory credit, not elective, these levels of TJTC useage are particularly significant.[25] The differences in incomes and work histories of the vouchered and the retroactively certified provide a measure of whether vouchering had become available to the most disadvantaged persons in the work force.

A PROFILE OF THE YEAR BEFORE TJTC PARTICIPATION: 1981

In order to measure the income and work history changes experienced by the TJTC participants sampled in the study, a pre-eligibility profile of the 1,827 individuals was needed. It was developed by reviewing personal characteristics information in the TJTC eligibility records and the unemployment insurance wage records for 1981, the year before eligibility.

- Generally the statistics portrayed the comparison group and the vouchered as similar, with the retroactively certified differing in a few respects.
- There were significant differences in the residential patterns and unemployment claimant experiences of the retroactively certified compared to the two other groups.
- The retroactively certified white youth, and the handicapped and minority veterans among the vouchered, had significantly higher pre-employment incomes relative to the comparison group.

A review of the ages of the Maryland sample, the only one for which such information was available, provided the best example of the similarities between categories and groups. Table 2, below, shows the mean ages by group and characteristic, as of June 30, 1982:

TABLE 2

AVERAGE (MEAN) AGE, JUNE 30, 1982, MARYLAND SAMPLES

CHARACTERISTIC	COMPARISON GROUP	VOUCHERED GROUP	RETROACTIVE GROUP
White male youth	21	22	21
White female youth	21	21	21
Minority male youth	21	21	21
Minority female youth	21	21	21
White voc. rehab.	37	35	
Minority voc. rehab.	33	34	
Minority Viet. vet.	32	32	
White Viet. vet.	32	32	
White female AFDC	34	33	
Minority female AFDC	31	33	33

There were several differences in the residence patterns of the groups. While urban residences were the largest single classification for each group, the retroactives were predominantly in either urban or suburban areas, while the other groups were more evenly distributed. The vouchered individuals were significantly more urban, than suburban; possibly an indication that they were more disadvantaged. The distribution also may show that the third party personnel consulting firms, which act as intermediaries in the retroactive certification process, had little interest in entering low density labor markets in small cities and rural areas. The client employers of the consulting firms were primarily suburban chain stores and restaurants, a fact also indicated in these distributions. Table 3 below shows the percent in each residence classification.

TABLE 3

RESIDENCE CLASSIFICATION, BY GROUP (PERCENT), MARYLAND DATA

CLASSIFICATION	COMPARISON	VOUCHERED	RETROACTIVE
Urban (Over 500,000)	42%	48%	51%
Suburban (outside core)	36	21	39
Small City (10,000 - 499,999)	10	14	4
Rural	12	17	6

A review of the unemployment insurance experiences of the groups shows patterns similar to the residence differences. Unemployment insurance claimant experience was measured by counting as a claimant anyone who had an active claim in the four quarters before the quarter in which they were found eligible for TJTC or, for the vouchered and retroactively certified, hired under the program. The table below lists the percent of persons by group and characteristic in Maryland who were claimants at some point in the pre-employment period.

TABLE 4
PERCENT CLAIMANTS, 1981, MARYLAND DATA ONLY

CHARACTERISTIC	COMPARISON GROUP	VOUCHERED GROUP	RETROACTIVE GROUP
White male youth	40%	37%	22%
White female youth	34	20	10
Minority male youth	32	33	20
Minority female youth	16	36	8
White voc. rehab.	40	28	
Minority voc. rehab.	24	30	
Minority Viet. vet.	64	57	
White Viet. vet.	64	60	
White female AFDC	32	35	
Minority female AFDC	22	16	21

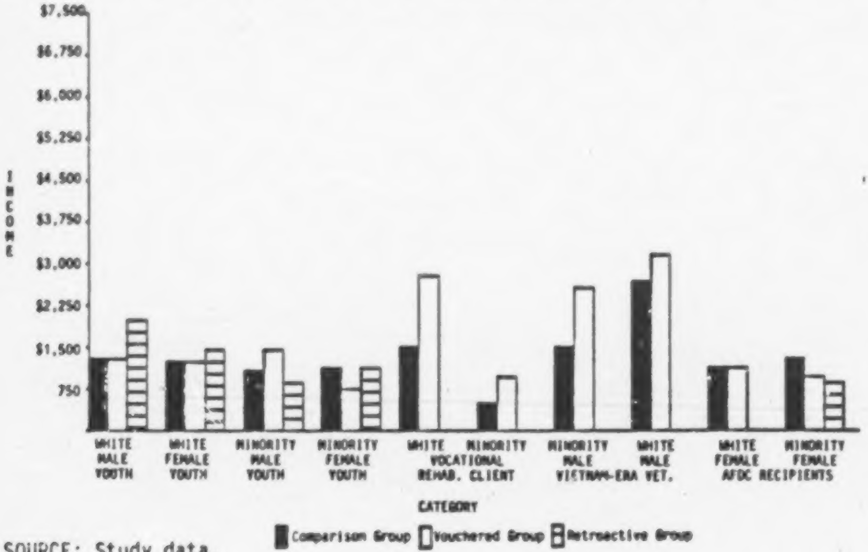
Just as the retroactives were more suburban than the other two groups, they were much less likely to have had experience with the unemployment insurance system. While this fact probably indicates they were somewhat less disadvantaged than the other groups, caution must be used in making such an assumption. Filing an unemployment insurance claim can only result in benefits if the person has had wages recently.

There were some significant income differences among categories in 1981, both in average (mean) income and in income distribution. Once again, the comparison and vouchered groups appeared quite similar, with white youth among the retroactives less disadvantaged. For example, white male youth, one of the two large groups among the retroactives, had significantly higher income than such youth in the two other groups. Both white youth categories among the retroactives had significantly fewer members with no income in 1981 than had the comparison group, indicating these youth were not as disadvantaged as the comparison youth. Minority youth among the retroactives, however, were very similar, if not more disadvantaged than the comparison group minority youth.

There were several groups among the vouchered which had incomes significantly higher than the members of the comparison group. Both categories of vocational rehabilitation clients and the minority Vietnam era veterans had higher incomes. Also, most categories of the vouchered had slightly fewer members with no reported income than the corresponding comparison categories. There was a great difference between white male youth and similar youth among the retroactives. As with the comparison group, the most frequent income level among the vouchered was "none." Generally, the youth and AFDC recipients among the vouchered were identical to similar persons in the comparison group. Table 5 shows average (mean) income by group and category, and income range data, including the percent in each category with no reported income. Figure 1 graphs the incomes in 1981.

FIGURE 1

AVERAGE ANNUAL INCOMES, 1981, BY CATEGORY AND GROUP, MARYLAND AND MISSOURI



SOURCE: Study data.

TABLE 5

PRE-ELIGIBILITY INCOME DATA, NUMBER IN RANGE AND MEAN ANNUAL INCOME DATA FROM FOUR QUARTERS BEFORE ELIGIBILITY, FROM MARYLAND AND MISSOURI

CHARACTERISTIC	COMPARISON GROUP		VOUCHERED GROUP		RETROACTIVE GROUP	
	MEAN INCOME	% NO INCOME	MEAN INCOME	% NO INCOME	MEAN INCOME	% NO INCOME
White male youth	$1,318	49%	$1,291	40%	$2,017@	21%@
White female youth	1,239	43	1,252	30@	1,472	28@
Minority male youth	1,109	52	1,498	35@	900	44
Minority female youth	1,143	46	780	43	1,135	39
White voc. rehab.	1,502	50	2,834@	37		
Minority voc. rehab.	531	56	981@	55		
Minority Viet. vet.	1,508	36	2,590@	26		
White Viet. vet.	2,692	40	3,182	35		
White female AFDC	1,166	51	1,172	48		
Minority female AFDC	$1,318	46%	$1,008	48%	$884	43%

INCOME RANGE (percent)	COMPARISON GROUP	VOUCHERED GROUP	RETROACTIVE GROUP
None	47%	40%	32%
Under $1,000	20	23	24
$1,000-1,999	11	12	18
$2,000-2,999	7	7	9
$3,000-3,999	4	6	7
$4,000-4,999	3	3	3
$5,000-5,999	2	2	2
$6,000-6,999	2	3	2
$7,000-7,999	1	1	2
$8,000-8,999	1	1	*
$9,000-9,999	*	*	*
$10,000-10,999	*	*	-
$11,000-11,999	*	*	*
$12,000-12,999	-	*	-
$13,000-13,999	*	-	-
$14,000-14,999	-	-	-
$15,000 and above	*	*	-

*Indicates less than 1%.

@Indicates statistically significant difference from comparison group comparable category: in mean income three vouchered groups are significantly higher, the white vocational rehab. at the .05 level and the other two groups at the .1 level; the difference for white male youth among the retroactive is extremely significant, at the .0005 level (using t-test); using chi square test, compare the number (not percent) with no income in each category of comparison group with comparable category in the other two groups.

NOTE: Mean incomes for the groups were as follows: Comparison Group: $1,301; Vouchered Group, $1,469; and Retroactively Certified, $1,375.

THE CERTIFIED JOB

There are several types of information that describe the jobs into which the TJTC participants were hired in early 1982, including the starting wage, the job classification and the industrial classification of the hiring employer. In describing the TJTC job, some significant differences were found between categories among the regularly and retroactively certified.

Differences in starting wage data were typical of the difference between the groups. In general, the vouchered had a significantly greater number receiving above the minimum wage than did the retroactive. Table 6 lists the mean starting wage by group and characteristic.

TABLE 6

MEAN STARTING WAGE (MARYLAND)

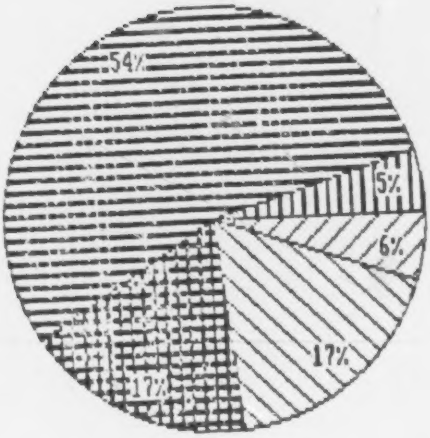
CHARACTERISTIC	VOUCHERED GROUP	RETROACTIVE CERT. GROUP
White male youth	$4.05/hr.	$3.40/hr.
White female youth	3.36	3.41
Minority male youth	3.69	3.41
Minority female youth	3.38	3.53
White voc. rehab.	3.84	
Minority voc. rehab.	4.31	
Minority Viet. vet.	3.95	
White Viet. vet.	4.58	
White AFDC	3.81	
Minority AFDC	3.50	3.50

The significant differences between the two groups were in the two male youth groups and the female minority group. The retroactive starting wage, displaying a remarkable uniformity, reflected the fact that 68% of the group members had starting wages at or below the minimum wage. The five comparable vouchered groups had 60% at or below the minimum. The individuals who primarily benefitted from this difference in starting wage were the male youth. Since the retroactively certified were more likely to be hired in retail or service industries than were the vouchered, with 84% of the retroactives working in retail or service jobs, compared to 67% among the vouchered, the retroactives' starting wages tended to be uniformly near the minimum wage. The vouchered group, with slightly more variety in the industries and jobs into which members were hired, experienced greater wage variations typical of the labor market. As wages in general, the vouchered males employed in traditionally male jobs - in construction, manufacturing, and communications - tended to have higher wages than the female youth. Figures 2 and 3 show the youth starting wage differences.

Of course, all the TJTC starting wages were low, low starting wages being an expected feature of the program. Since TJTC proportionally subsidizes more of a low wage job's cost, providing a credit only against the first $6,000 in wages in each of the first two years of employment, it is more likely to attract interest among employers in low wage markets. These are the employers most likely to hire the low skilled disadvantaged workers eligible

FIGURE 2

STARTING WAGE RANGE, TJTC JOB VOUCHERED YOUTH



WAGE RANGES

▥ Under $3.35

▤ $3.35/hr

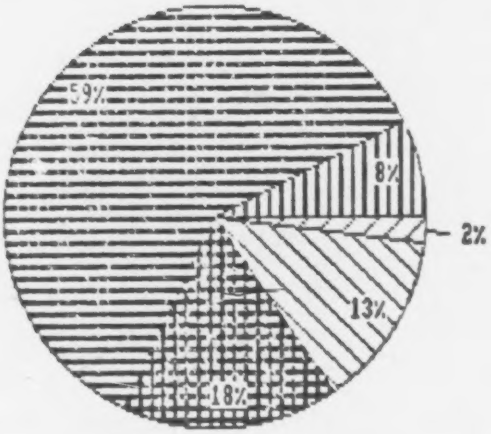
▦ $3.36-3.99/hr

⧅ $4.00-4.99/hr

⧄ $5.00/hr +

FIGURE 3

STARTING WAGE RANGE, TJTC JOB RETROACTIVELY CERTIFIED YOUTH



for the credit. The starting wage data from the program consistently has shown that the program is being used primarily by this targeted market.[26]

The distribution of job classifications among the two groups again showed the greater uniformity in retroactive useage. Table 7 shows the percent distribution by group by occupational classifications. The vouchered youth had a slightly greater chance of entering manufacturing and construction jobs than did the retroactive. Among the white female youth and the minority youth categories, 27% of the vouchered individuals entered jobs in the last five groups above, whereas only 10% of the retroactives did so. Retroactive youth, however, had a better chance of finding employment in clerical jobs than did the vouchered. In addition, the retroactive AFDC recipients had much more varied jobs than did the vouchered.

TABLE 7

OCCUPATIONAL CLASSIFICATION (PERCENT), TJTC JOB, MARYLAND AND MISSOURI DATA

JOB CLASSIFICATION	VOUCHERED				RETROACTIVE CERT.	
	YOUTH	VOC REHAB	VIET VET	AFDC	YOUTH	AFDC
Profess. and Tech.	2%	4%	5%	3%	4%	2%
Clerical	20	17	11	28	29	18
Service	44	55	29	52	46	48
Farm/Forest/Fishery	1	1	5	1	1	-
Processing	5	1	1	3	2	7
Machine Trades	4	4	10	3	5	-
Assembling (bench wk.)	8	1	6	9	5	14
Structural	4	6	16	-	2	-
Miscellaneous	12%	10%	17%	1%	6%	11%

There was a notable concentration of the jobs the certified youth entered compared to the occupations of youth, age 16-24, in the general population. It must be emphasized, of course, that statistics on all youth were not limited to disadvantaged youth as were TJTC statistics. Focusing only upon minority youth, Table 8 compares the percent in major occupational categories.[27]

TABLE 8

COMPARATIVE OCCUPATIONAL CLASSIFICATIONS (PERCENT), MINORITY YOUTH

CLASSIFICATION	ALL MINORITY YOUTH, 16-24	VOUCHERED MIN YOUTH	RETROACTIVELY CERT MIN YOUTH
Profes. and Technical	10.5%	1.2%	1.2%
Clerical and Sales	34.4	26.1	29.4
Service	23.6	44.3	55.3
Farm, Forest, Fish	-	1.2	1.2
Other	31.6%	27.3%	12.9%

Obviously, TJTC eligibles, being disadvantaged, are much less likely to enter professional and technical fields, as well as office type clerical positions, than are youth generally. What is notable, however, was the extreme concentration of employment for minority, retroactively certified youth in service occupations. The vouchered youth, to a lesser extent, displayed this service concentration, however, they did have a fairly high rate of entry in to manufacturing and construction jobs (the other category). For white youth in the retroactively certified group, the concentration of jobs in the service and low skilled clerical fields was as extreme as for minorities, with a slight shift to clerical from service. For the vouchered, however, the distribution was more diverse, with the largest group entering the other category. Table 9 shows the distribution of white youth. Figure 4 graphs the occupational classifications of TJTC youth compared to all youth.

TABLE 9

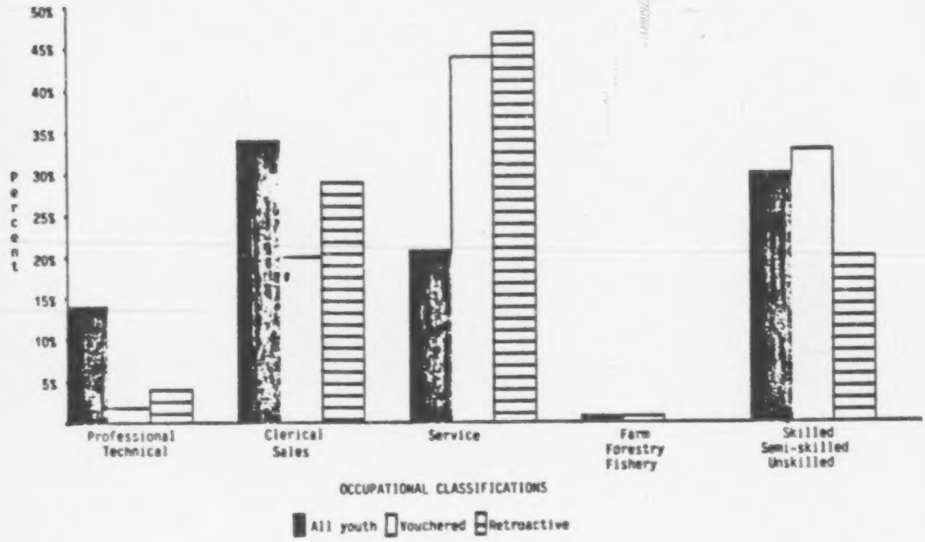
OCCUPATIONAL CLASSIFICATIONS (PERCENT), WHITE YOUTH, MARYLAND AND MISSOURI

CLASSIFICATION	ALL WHITE YOUTH, 16-24	VOUCHERED WH. YOUTH	RETROACTIVELY CERT WH YOUTH
Profes. and Technical	14.5%	-	-
Clerical and Sales	34.0	20.7%	37.1%
Service	30.6	37.9	51.7
Farm, Forest, Fish	1.0	-	-
Other	19.9%	41.4%	11.2%

The distribution of industrial classifications, known for the Maryland sample only, generally followed the patterns set by the job classifications. Of the retroactively certified, 87.5% were hired by businesses in either the retail or service sectors, with 53 percent in retail and 34.5 percent in service. No other sector had as much as 4%. Among the vouchered, there was more variety, with 43% in retail, 26% in service, 18% in manufacturing, 6% in construction, and a small percent in each of the remaining private industrial classifications. Even within the service sector, there was much more variety among the vouchered than among the retroactives. Twenty-four percent of the retroactives were hired by companies in the cleaning and security business, in contrast to 13% among the vouchered. While only one person among the retroactives was in the health and educational services fields, 9% of the vouchered had jobs in these industries. Table 10 compares the industrial classifications of employers hiring minority youth under TJTC with those of employers of all minority youth. Both groups of TJTC participants had a much greater concentration of members in the retail sector than did minority youth as a whole. The retroactive group also had as many members in service jobs as did the general youth population. It was much below the general population in all other industrial classifications. The vouchered, in contrast, were more heavily concentrated in the manufacturing sector than the general youth population and had approximately the same proportion in construction. They had far fewer members in the service sector than either the retroactives or the minority youth population. Neither TJTC group was significantly represented in the other industrial sectors. Figure 5 graphs the industrial classifications of employers receiving certification for minority youth in Maryland.

FIG . 4

OCCUPATIONS OF YOUTH, CERTIFIED JOBS (MARYLAND AND MISSOURI) COMPARED TO JOBS OF ALL YOUTH (NATIONAL DATA)



SOURCE: For certified groups, study data, for all youth, Maryland, State of, Dept. of Human Resources, Employment Security Admin., Special Report on Youth (Baltimore, 1981) p. 56.

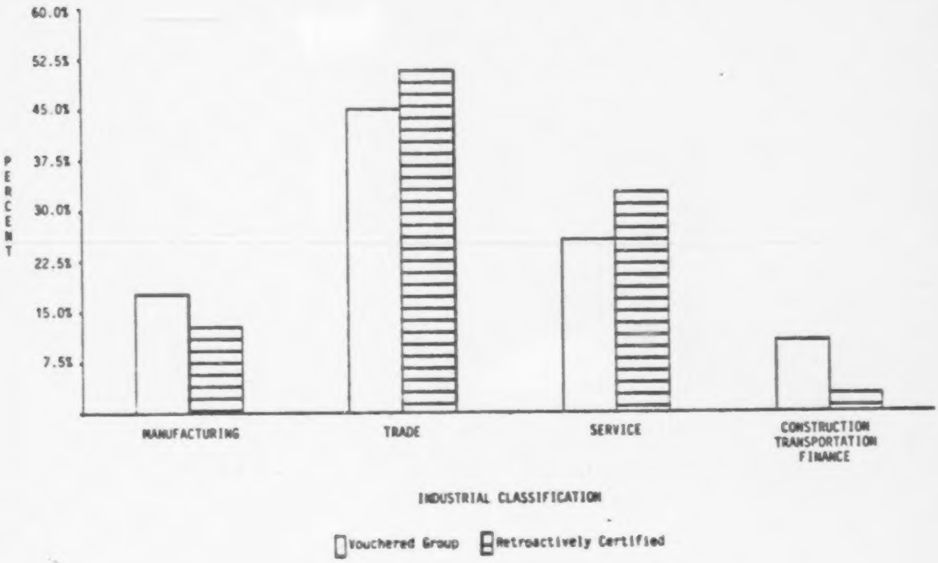
TABLE 10

INDUSTRIAL CLASSIFICATIONS, EMPLOYERS OF MINORITY YOUTH, MARYLAND

CLASSIFICATION	ALL MINORITY YOUTH 16-24	VOUCHERED MIN YOUTH	RETROACTIVELY CERT MIN YOUTH
Agricultural	-	1.1%	-
Construction/mining	4.3%	3.4	-
Manufacturing	12.5	18.4	8.4%
Transp./Comm./Util.	4.0	-	1.2
Trade	22.0	54.0	50.6
Finance	3.1	1.1	1.2
Service	37.1	21.8%	38.6
Public Administration	8.5%	-	-

FIGURE 5

INDUSTRIAL CLASSIFICATIONS OF EMPLOYERS RECEIVING CERTIFICATIONS, MARYLAND SAMPLE DATA ONLY, VOUCHERED COMPARED TO RETROACTIVE



SOURCE: Study data.

Generally the following differences between the vouchered and the retroactively certified were found:

- The starting wages of vouchered male youth were higher than the starting wages of retroactively certified youth, despite the fact that the vouchered youth had generally lower pre-TJTC earnings.
- The occupations into which the vouchered were hired were more varied, except for AFDC recipients, than those of the retroactively certified.
- The industries hiring the vouchered workers were more varied, including fewer retailing and service businesses, than the industries hiring the retroactively certified.

These differences indicated vouchering did add to the benefits derived by the disadvantaged from the subsidy under TJTC.

THE IMPACT OF CERTIFICATION

The basic measure of program impact is the difference in gross earnings of the members of the three groups.

- For the first year after program participation, or in the case of the comparison group, for the year following the determination of eligibility, there was a significant increase in the average (mean) earnings of the members of the two TJTC participant groups relative to the comparison group.

The change in group average (means) incomes indicated the magnitude of the comparative increases. For example, while the comparison group average (mean) income increased from $1,301 in the year before eligibility to $1,836, the vouchered average went from $1,469 to $4,115. The retroactively certified income increased from $1,375 to $3,900. The comparison group's income increased by 41%, compared to 180% for the vouchered and 183% for the retroactives. Since the groups generally were similar in characteristics and income in 1981, the annual differences in incomes in the two years after certification provide a good indication of TJTC's impact upon participants from the various categories.

- Because samples in this study were balanced by race, sex, age, and group, the group averages CANNOT be interpreted as averages for TJTC in general.

All of the categories among the certified groups experienced earnings which were significantly higher than the comparable members of the comparison group. All retroactively certified youth had annual income higher than vouchered youth, with minority female youth experiencing the greatest differential compared to the vouchered. For minority female AFDC recipients, however, the vouchered gained considerably more than the retroactives. The retroactively certified only included large numbers of white male and white female youth. The minority youth among the retroactives were not a sample, but rather, the entire population. Thus, the only large categories among the retroactive experiencing large income gains were white male youth and white female youth.

When annual incomes are grouped by range, the major differences in groups become somewhat clearer. The certified led the comparison group in every income range except the lowest. The median income for the groups provided a good indication of their relationship. While it was under $1,000 for the comparison group, it was about $3,000 for the certified. The most common income for the comparison group, amazingly, was none, and no higher than $1,000 for the other two groups. Compared to the 1981 income ranges, the decline in the number of persons in each category with no reported income was particularly significant for the following groups among the certified:

- Vouchered minority female youth
- Vouchered minority vocational rehabilitation clients,
- Vouchered white Vietnam era veterans, and
- All AFDC recipients, both vouchered and retroactively certified.

Table 11 shows the average annual income for the year after eligibility, by group and characteristic; the income range, by group; and the percent with no income, by group and characteristic. Figure 6 graphs 1982-83 incomes.

TABLE 11

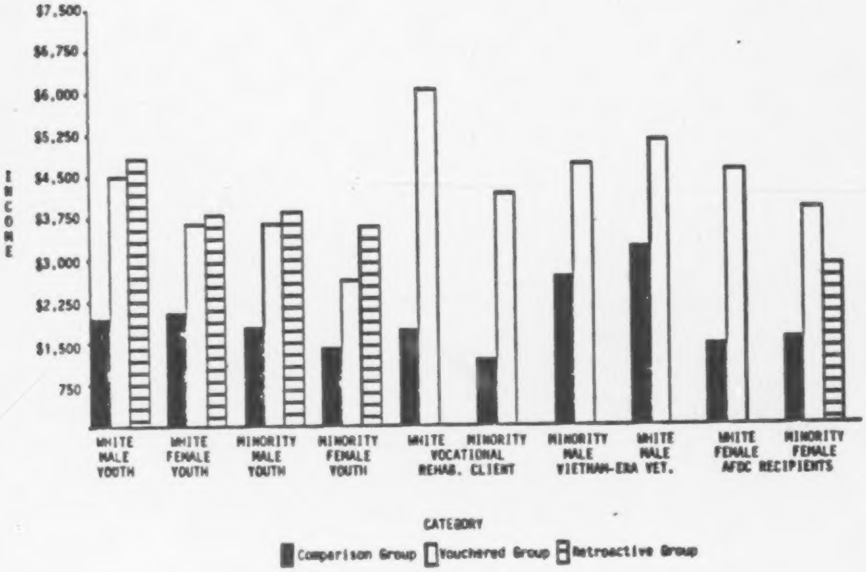
INCOME DATA, FIRST YEAR AFTER CERTIFICATION
(APRIL, 1982 - MARCH, 1983; or JULY, 1982 - JUNE, 1983)
FOR MARYLAND AND MISSOURI, AVERAGE (MEAN) ANNUAL INCOME,
PERCENT WITH NO REPORTED INCOME, PERCENT IN INCOME RANGES

CHARACTERISTIC	COMPARISON GROUP		VOUCHERED GROUP		RETROACTIVE GROUP	
	MEAN INCOME	% NO INCOME	MEAN INCOME	% NO INCOME	MEAN INCOME	% NO INCOME
White male youth	$1,934	41%	$4,520	11%	$4,831	*
White female youth	2,047	43	3,665	6	3,811	3%
Minority male youth	1,794	41	3,647	8	3,872	5
Minority female youth	1,442	52	2,647	10	3,601	6
White voc. rehab.	1,737	52	6,106	11		
Minority voc. rehab.	1,206	54	4,190	3		
Minority Viet. vet.	2,699	36	4,757	9		
White Viet. vet.	3,224	38	5,143	10		
White female AFDC	1,467	47	4,613	8		
Minority female AFDC	$1,560	52%	$3,946	7%	$2,919	9%
Group average (mean)	$1,836		$4,115		$3,900	
INCOME RANGE (Percent)						
None		46%		8%		4%
Under $1,000		17		18		18
$1,000-1,999		9		12		14
$2,000-2,999		6		12		10
$3,000-3,999		6		7		11
$4,000-4,999		3		9		10
$5,000-5,999		3		6		6
$6,000-6,999		3		8		9
$7,000-7,999		2		5		6
$8,000-8,999		1		5		3
$9,000-9,999		1%		3		3
$10,000-10,999		*		3		2
$11,000-11,999		*		1		*
$12,000-12,999		*		1		2%
$13,000-13,999		*		*		*
$14,000-14,999		*		1		*
$15,000 & above		*		1%		*

* less than 1%

FIGURE 6

AVERAGE ANNUAL INCOMES, 1982-1983, BY CATEGORY AND GROUP,
MARYLAND AND MISSOURI DATA



SOURCE: Study data.

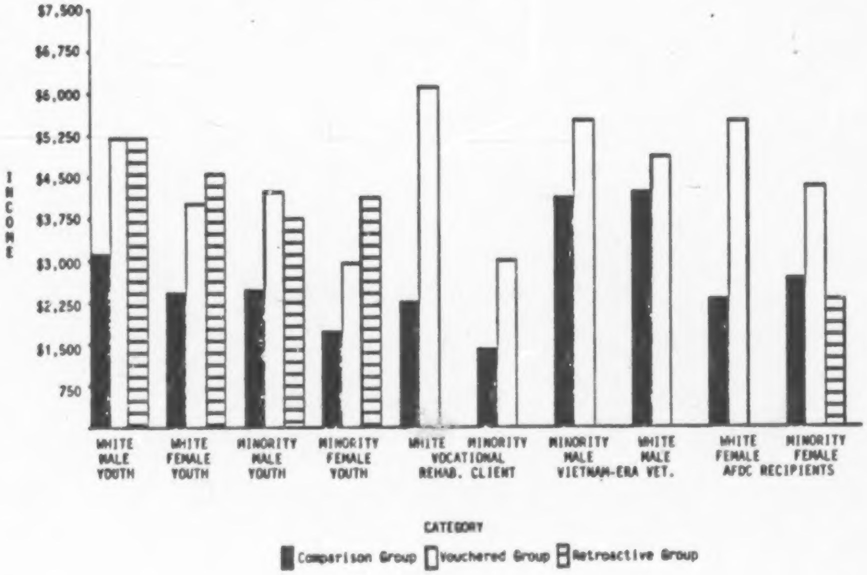
In general, the trends of the first year after certification continued into the second year, with some notable exceptions and with the gap between the comparison group and the two other groups being closed considerably. In particular, the two veteran categories among the vouchered, that had shown the least percentage difference in the first year relative to the comparison group, witnessed the elimination of any significant difference in second year earnings. Male youth, however, continued to show significant gains in earnings, with female youth and AFDC recipients registering more modest gains. Both white and minority vocational rehabilitation clients suffered either little growth or an actual decline in second year incomes. While the income levels for the comparison group vocational rehabilitation clients had climbed slightly, the growth was so modest as to place the two categories among the three lowest in the comparison group. The income of the minority vocational rehabilitation category among the vouchered declined, becoming the second lowest in its group. The white vocational rehabilitation category experienced no change in annual income, but remained the highest income category, as in 1982-83. The annual income of the vouchered white Vietnam era veteran category was the only other to decline, falling below that for minority Vietnam era veterans. Among the retroactively certified, there were some surprising developments, with black female AFDC recipients actually falling behind the comparison group, and black male youth showing real declines in earnings. Figure 7 graphs mean wages by category for the three groups.

There was a marked difference among the groups in income distribution in the second year, as in the first; however, it was less pronounced. The most common income range in the second year was zero for all groups, a difference from the preceding year for the two certified groups when it had been in the lowest real income range. The median range for the retroactively certified, also, had fallen in the second year by one level. Of course for the comparison group, there was no change in either the mode or median. It was in the upper ranges where the most instructive changes in distribution occurred. For the vouchered, the percent receiving over $5,000 in annual income climbed from 35% in the first year to 38% in the second. The retroactive group showed a similar change, moving from 32% to 36%. The comparison group, showing no doubt the results of the maturation process on its youthful members, had the greatest increase, going from 12% to 23%.

In the second year, all categories among the certified had a significant increase in the numbers with no reported income. In all but two categories the numbers remained well below those for the corresponding comparison category. Only in the white Vietnam era veteran and retroactive minority AFDC categories did the certified even approach the levels among the comparison group. Generally, the increases in the number with no income reflect the unfolding distinction among the certified between those who benefitted from TJTC participation and those who did not. Table 12, shows the average annual income for the second year after eligibility, by group and characteristic; the income range, by group; and the percent with no income, by group and characteristic.

FIGURE 7

AVERAGE ANNUAL INCOMES, 1983-1984, BY CATEGORY AND GROUP, MARYLAND AND MISSOURI DATA



SOURCE: Study data.

TABLE 12

INCOME DATA, SECOND YEAR AFTER CERTIFICATION (APRIL, 1983 - MARCH, 1984; or JULY, 1983 - JUNE, 1984) FOR MARYLAND AND MISSOURI, AVERAGE (MEAN) ANNUAL INCOME, PERCENT WITH NO REPORTED INCOME, PERCENT IN INCOME RANGES

CHARACTERISTIC	COMPARISON GROUP		VOUCHERED GROUP		RETROACTIVE GROUP	
	MEAN INCOME	% NO INCOME	MEAN INCOME	% NO INCOME	MEAN INCOME	% NO INCOME
White male youth	$3,143	41%	$5,203	26%	$5,240	14%
White female youth	2,441	48	4,035	21	4,561	8
Minority male youth	2,475	41	4,259	26	3,801	26
Minority female youth	1,745	58	2,956	30	4,177	16
White voc. rehab.	2,279	52	6,110	21		
Minority voc. rehab.	1,419	60	3,015	39		
Minority Viet. vet.	4,133	30	5,547	12		
White Viet. vet.	4,277	38	4,894	31		
White female AFDC	2,355	47	5,550	23		
Minority female AFDC	$2,699	44%	$4,355	21%	$2,339	39%
Group average (mean)	$2,614		$4,486		$4,255	
INCOME RANGE (Percent)						
None		46%		25%		21%
Under $1,000		12		11		13
$1,000-1,999		6		7		10
$2,000-2,999		5		7		8
$3,000-3,999		4		5		6
$4,000-4,999		4		6		6
$5,000-5,999		4		5		5
$6,000-6,999		3		6		5
$7,000-7,999		3		6		5
$8,000-8,999		3		6		5
$9,000-9,999		2		3		3
$10,000-10,999		2		4		3
$11,000-11,999		1		2		3
$12,000-12,999		1		1		1
$13,000-13,999		1		1		1
$14,000-14,999		1		*		2
$15,000 & above		2%		4%		3%

* less than 1%

Two years after eligibility, there were significant differences in the percent of group members from the AFDC categories who continued to receive AFDC. While 30% of the white female AFDC recipients among the vouchered in Maryland received AFDC at some point in 1983-84, 46% did so in the comparison group. Among minority female AFDC recipients the difference was less; but, the vouchered maintained the lowest rate of AFDC participation, with 53% receiving benefits in 1983-84, compared to 59% for the retroactively certified and 64% for the comparison group.

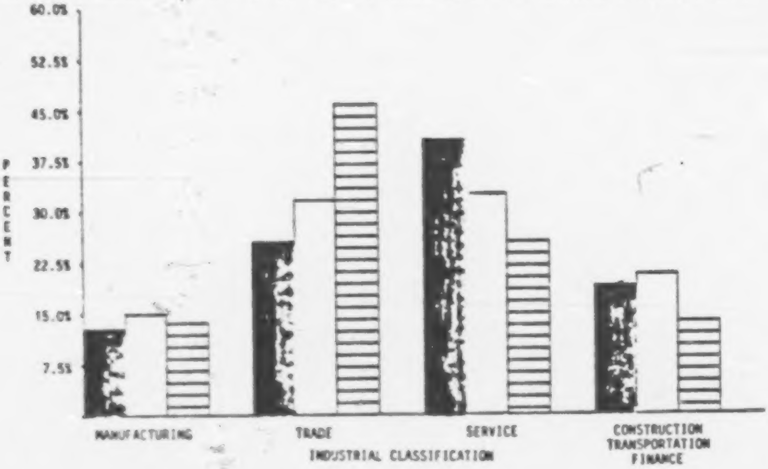
The relationship of the vouchered and the comparison group was reversed as to claiming unemployment insurance benefits. The difference, again using Maryland data, between all groups, however, was only 5%, with the vouchered claiming such benefits at some time during 1983-84 in 25% of all cases, the comparison group doing so in 22%, and the retroactively certified in 20%. As mentioned earlier, the claiming of unemployment insurance benefits has mixed significance, since such benefits can be received only after substantial incomes have been earned.

The industries in which individuals worked two years after eligibility or certification differed considerably by group. Most noticeably, when surveyed in the eighth quarter after eligibility, the comparison group had a much higher percentage unemployed, at 57%, than did the retroactively certified, with 45%, or the vouchered, with 39%. Among those working, a much higher proportion of the comparison group, 44.2%, were employed in service industries, than were the vouchered (34.4%) or retroactive (27.3) groups. The retroactive group had a disproportionate number employed in trade, with 45.5% in wholesale and retail trade, while 29.5% of the vouchered and 27.9% of the comparison were so employed. The members of the two certified groups had lowered their concentration in the service and retailing sectors from the first TJTC job distribution, when 83% of the retroactive were employed in these sectors and 69% of the vouchered. In 1984, the numbers were down to 73% for the retroactive and 64% for the vouchered. The vouchered had achieved this reduction, oddly, while increasing the proportion employed in the service sector, more than balancing the increase with a reduction of retail employment from 45% to 30%. The increase in service sector employment, also, marked a change in industrial concentration for the vouchered, since it was composed of an increase in employment in health, educational, and social services and no change in the proportion in cleaning and security services. The retroactively certified, raised their employment in health, educational, and social services a mere 1%. Figures 8 and 9 graph the distribution of groups by two digit standard industrial classifications, including and excluding the unemployed.[28]

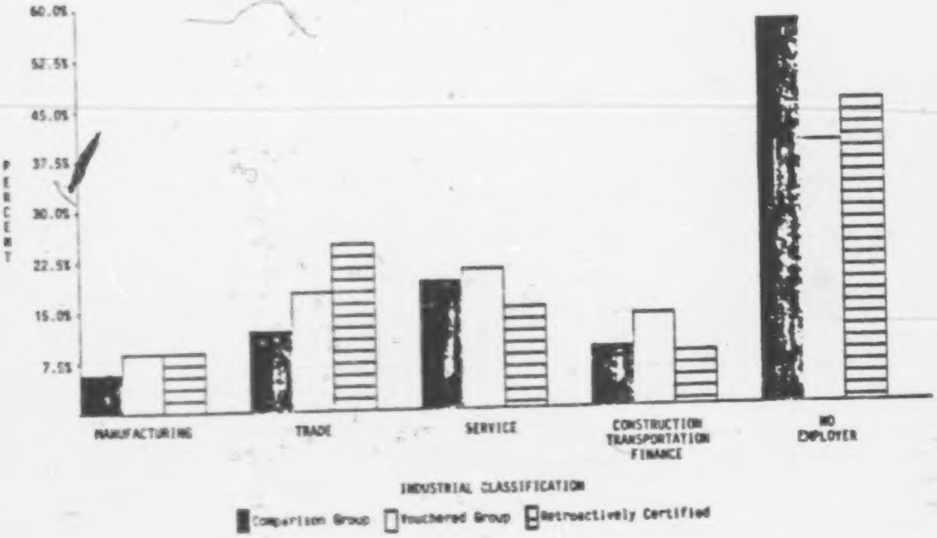
One striking fact noticeable in the two years after eligibility was the percent of the comparison group with no reported income (see Tables 11 and 12). That the comparison group consistently had a larger proportion than the certified groups not in the labor force suggests that there might be a qualitative difference between the comparison and certified groups. The certified had to be hired in the first six months of 1982 to be included in the study. The comparison group members did not have to be employed. Table 13 shows the changes in average income if those with no reported income were omitted from the computations. Using this revised method, the differences between the average (mean) incomes of the certified categories and the average incomes of the comparison categories were reduced. The reduction eliminated significant differences between categories in several cases.

FIGURES 8 and 9

INDUSTRIAL CLASSIFICATIONS, BY GROUP, EXCLUDING UNEMPLOYED, MARYLAND DATA 1984



INDUSTRIAL CLASSIFICATIONs, BY GROUP, INCLUDING UNEMPLOYED, MARYLAND DATA 1984



SOURCE: Study data.

- Incomes of vouchered minority female youth and minority female AFDC recipients among the retroactive fell below the incomes of the respective comparison group.

- Half of the categories among the vouchered would have average incomes not significantly different than the comparison group, and only two of the retroactive categories would have significantly different incomes.

Although it is unlikely that all persons without reported income should be omitted, and perhaps none should be dropped, these figures are the worst case which could be made for the impact of the tax credit on participant incomes.

TABLE 13

MEAN INCOMES, FIRST & SECOND YEAR, COMPUTED ONLY FOR PERSONS WITH REPORTED INCOMES (BY GROUP AND CHARACTERISTIC), MARYLAND AND MISSOURI DATA

CHARACTERISTIC	1982-1983			1983-1984		
	# W/ NO INCM	# W/ RPTD INCM	AVERAGE (MEAN) INCOME	# W/ NO INCM	# /W RPTD INCM	AVERAGE (MEAN) INCOME
Comparison Group						
White male yth	41	58	$3,302	41	58	$5,365
White fem. yth	43	57	3,591	48	52	4,694
Min. male yth	41	59	3,041	41	59	4,195
Min. fem. yth	52	47	3,037	58	41	4,214
White rehab.	26	24	3,619	26	24	4,747
Min. rehab.	27	23	2,622	30	20	3,546
Min. Viet vet	18	32	4,217	15	35	5,904
White Viet vet	19	31	5,200	19	31	6,898
White AFDC	47	53	2,769	47	53	4,443
Min. AFDC	51	47	3,253	43	55	4,808
Vouchered						
White male yth	10	78	$5,099	23	65	$7,044
White fem. yth	6	90	3,909@	20	76	5,097@
Min. male yth	7	79	3,970	22	64	5,722
Min. fem. yth	8	76	2,926@	25	59	4,209@
White rehab.	4	34	6,824	8	30	7,739
Min. rehab.	1	37	4,303	15	23	4,982@
Min. Viet vet	3	31	5,218@	4	30	6,287@
White Viet vet	5	43	5,741@	15	33	7,119@
White AFDC	6	67	5,027	17	56	7,235
Min. AFDC	6	81	4,238	18	69	5,491@
Retro. Cert Gp						
White male yth	-	92	$4,831	13	79	$6,103@
White fem. yth	3	90	3,938@	7	86	4,933@
Min. male yth	3	63	3,847	17	49	5,121@
Min. fem. yth	4	60	3,842@	10	54	4,951@
Min. fem. AFDC	4	40	3,211@	17	27	3,812@

@ Income not significantly different from corresponding comparison group.

NET COSTS OF SAMPLE CERTIFICATIONS

For those who were certified, the amount of tax credits earned by the employer receiving the certification is an additional dimension of program impact to be measured after two years. Table 14 compares the percentage of individuals in the two certified groups by the amount of the credit earned.

TABLE 14

CREDIT RANGE, BY GROUP (PERCENT)

CREDIT RANGE	VOUCHERED	RETROACTIVELY CERTIFIED
Under $500	37%	35%
$500-999	12	17
$1,000-1,999	15	17
$2,000-2,999	8	12
$3,000-3,999	13	9
$4,000-4,499	3	2
$4,500	12%	8%

Table 15 lists the average (mean) credits by group and category. It shows:

- ·The average credits for all vouchered categories were higher than for the retroactively certified, except for minority female youth, indicating that the vouchered were retained longer than the retroactively certified.
- ·The white vocational rehabilitation clients and the white female AFDC recipients entitled their employers to the highest credits.

TABLE 15

TWO YEAR AVERAGE (MEAN) CREDITS, BY GROUP AND CHARACTERISTIC, MARYLAND AND MISSOURI DATA

CHARACTERISTIC	VOUCHERED	RETROACTIVELY CERTIFIED
White male youth	$1639	$1254
White female youth	1879	1246
Minority male youth	1899	1680
Minority female youth	1111	1951
White voc. rehab.	2050	
Minority voc. rehab.	1786	
Minority Viet. vet.	1862	
White Viet. vet.	1536	
White female AFDC	2032	
Minority female AFDC	$1502	$1465

For the average individual in each category among the certified the two year increases in earnings were derived by adding each year's net income difference from the appropriate comparison category. Table 16, displays the net gains in earnings by category for the two certified groups.

TABLE 16

NET TWO YEAR INCOME GAINS, CERTIFIED GROUPS RELATIVE TO COMPARISON GROUP

CHARACTERISTIC	VOUCHERED	RETROACTIVELY CERTIFIED
White male youth	$4700	$3596
White female youth	3186	3418
Minority male youth	2859	3822
Minority female youth	3142	4607
White voc. rehab.	5536	
Minority voc. rehab.	3680	
Minority Viet vet.	1308	
White Viet Vet	1556	
White female AFDC	6329	
Minority female AFDC	$4662	$1867

Having derived the total two year credit, as well as the gross income gains for each of the first two years, by group and category, the two year credit was subtracted from the two year income gain. The comparison of the gains experienced or not experienced by categories of eligibles less credits earned is a guide to program costs and benefits. Table 17 shows calculated differences.

TABLE 17

TWO YEAR INCOME GAINS OF TJTC PARTICIPANTS, LESS TWO YEAR INCOME GAIN OF COMPARISON GROUP, AND LESS TWO YEAR CREDITS, MARYLAND AND MISSOURI DATA

CHARACTERISTIC	VOUCHERED	RETROACTIVE
White male youth	$3,061	$2,342
White female youth	1,307	2,172
Minority male youth	960	2,142
Minority female youth	2,031	2,656
White voc. rehab.	3,486	
Minority voc. rehab.	1,894	
Minority Viet. vet.	(-554)	
White Viet. vet.	20	
White female AFDC	4,297	
Minority female AFDC	$3,160	$402

The figures above do NOT provide sufficient information to calculate the net costs of the credit. Net tax expenditures resulting from the credit must be reduced by the add-back provisions in TJTC and are offset further by the personal taxes paid by eligible workers and transfer payment reductions. The figures in Table 17, however, do provide one measure of the benefits derived from the tax credit. The figures must be interpreted with care. For example, the benefits per tax expenditure are less for minority Vietnam era veterans than for any other group. However, that fact can show either of two points: that the cost of changing the employment patterns of such individuals is high or that the credit is not very effective for the group. In contrast, white male youth, who benefit greatly for relatively little cost, may do so because they are least in need of assistance.

WHO BENEFITTED FROM CERTIFICATION?

It is important to remember in assessing impact that mean income gains were the result of the major gains made by a small number of persons in each category. For example, while minority male youth had significant average wage gains, in each of the two years following certification, the primary reason for the difference was that a few gained a real advantage over their counterparts. In the first year, while 11% of the youth in the comparison group earned $5,000 or more, 35% of the vouchered group earned at least that amount. Even more importantly, only 3% among the comparison group had income above $8,000, while 16% of the vouchered had achieved that income. In the second year, 23% of the comparison group had achieved at least $5,000 in income, but by then 38% of the vouchered had that amount. Above $8,000, only 10% of the comparison group was found, while among the vouchered, 22%.

- The important point is that the program impact was not a result of raising the incomes of all youth who participate by increasing the length of employment slightly or reducing the job search period for all. Rather, the impact came from assisting a minority among the eligibles to significantly improve their employment prospects, while leaving the majority of participants unaffected by their participation.

- Directly related to the income gains of the minority of TJTC participants, the credits received by the employers of the most successful were much higher than those received on the less successful.

The patterns of credit useage are extremely important. Only 6% of persons earning under $5,000 in the first year made their employer qualify for credits in excess of $3,000. In contrast, 68% of those earning over $5,000 stayed with the initial employer long enough for at least $3,000 in credits to be earned, and 33% entitled their employer to the full two year credit. These facts challenge the theory that the subsidy under TJTC could be much lower without affecting impact. Most of the smaller credits were wasted, in that they came from employment of no greater duration or human capital development potential than that which eligible workers found on their own.[29]

In order to gain a better idea of what factors led to labor market success for those who did achieve higher incomes, those among the vouchered in Maryland with incomes of $5,000 or more in the first year after eligibility were isolated. They then were compared to those with incomes below that amount. One hundred nineteen persons were in the high income group and 220 in the low income. There were marked contrasts in the characteristics, incomes and work histories of the two groups.

The most obvious contrast between the high and low income groups was in the proportion of members from the various categories of eligibles.

- Generally, the high income group had a greater percentage of whites, at 61%, than the low income, with 43%.

- The high income was more male, 53%, than the low income, at 38%.

In particular, the white male youth and white vocational rehabilitation groups, as well as both Vietnam-era veteran categories were substantially ahead of their proportion in the low income group. The biggest variation in the proportion in the high and low groups was in the minority female youth category, who accounted for 18% of the low income and only 4% of the high income group. There was a marked difference also in the percent of minority female AFDC recipients in the high income group compared to the low. They composed 10% of the high income group and 14% of the low.

Looking at the pre-eligibility income levels of the two groups, both had the same middle and most common income range. The middle range was the under $1,000 range, and the most common was zero income. While only 17% of the high income individuals had income over $5,000 in the pre-employment period, this small percentage was in marked contrast to the 7% of the low income group with such incomes. These patterns became even more pronounced in the second year after certification.

In 1983-84, the median income for the high group had moved to the $7,000-7,999 range, while for the low income it had climbed only to $1,000-1,999. For the high group, the most common income was in the range $8,000-8,999, while for the low it remained at zero. These trends probably relate to the starting TJTC wage, which for the high group averaged $4.13/hour, while for the low, $3.58. The wage rate probably accounted for some of the difference in credits earned by the employing business.

The distribution of credits for the two groups, as would be expected from the differences in income range, were close to being reversed. For the low income group, 49% entitled their TJTC employer to less than $500 in tax credits. Sixty-five percent of the low income were paid less than $2,000 by the TJTC employer, resulting in credits less than $1,000. Only 2 individuals among the low income earned enough for their employers to receive over $4,000 in credits over two years, and none entitled their employer to the maximum $4,500 credit. Seven percent worked long enough for the employer to earn some second year credit. In contrast, 33% of the high income group earned their employer the full $4,500 credit and 61% entitled their employer to some second year credit. Only 21% earned less than a $1,000 credit for their employer.

Most of the facts stated here regarding the high and low income groups are self evident, knowing general information on the labor market and American social relations. It is not surprising that veterans, with an average age in the mid-30's, and white male youth would have had greater labor market success than minority female youth and welfare recipients. Likewise it is obvious that those making more income would earn more credits for their employer. Without studying the credit, it would have appeared likely that the high income group would have had higher incomes in the year before employment than the low income. However, there was one group that did have surprisingly positive results: minority males. They experienced as high a proportion among the high income as the low income group. In general, female AFDC recipients and the handicapped had insignificantly lower rates of membership in the high in contrast to the low group. Table 18 compares the statistics for the high and low income groups.

TABLE 18

CHARACTERISTICS OF VOUCHERED INDIVIDUALS, COMPARED BY INCOME LEVELS IN FIRST YEAR AFTER CERTIFICATION, MARYLAND DATA ONLY, PERCENT

Characteristic	Persons Earning $5,000 & Over	Persons Earning Under $5,000
Targeted Group		
White male youth	16%	10%
White female youth	14	13
Minority male youth	12	13
Minority female youth	4	18
White voc. rehab.	10	3
Minority voc. rehab.	5	6
Minority Viet. vet.	8	6
White Viet. vet.	9	6
White female AFDC	12	11
Minority female AFDC	10%	14%
Credit Ranges		
Under $500	17%	49%
$500-999	4	16
$1,000-1,999	5	20
$2,000-2,999	6	9
$3,000-3,999	28	5
$4,000-4,499	7	1%
$4,500	33%	-
Some second year credit	61%	7%
1981 Income Ranges		
None	35%	44%
Under $1,000	18	27
$1,000-1,999	9	12
$2,000-2,999	9	5
$3,000-3,999	9	3
$4,000-4,999	3	2
$5,000-5,999	2	3
$6,000-6,999	6	1
$7,000-7,999	3	2
$8,000-8,999	3	-
$9,000-9,999	-	1%
$10,000-10,999	2	-
$15,000-15,999	1%	-

TABLE 18 (cont.)

Charateristics of Vouchered Individuals Compared by Income Level in First Year after Certification (Percent)

Characteristic	Persons Earning $5,000 & Over	Persons Earning Under $5,000
1982-83 Income Ranges		
None	4%	33%
Under $1,000	5	15
$1,000-1,999	2	10
$2,000-2,999	6	8
$3,000-3,999	6	5
$4,000-4,999	4	8
$5,000-5,999	9	4
$6,000-6,999	8	5
$7,000-7,999	9	5
$8,000-8,999	10	3
$9,000-9,999	6	1
$10,000-10,999	9	1
$11,000-11,999	3	-
$12,000-12,999	3	-
$13,000-13,999	3	1
$14,000-14,000	3	-
$15,000 & above	8%	1%
AFDC Category, ONLY, recipient		
AFDC 1981	100%	100%
AFDC 1983-84	18%	56%
Unemployment insurance claimant		
Unemployment insurance, 1981	41%	32%
Unemployment insurance, 1983-84	29%	25%
Initial TJTC Job Classification		
Professional, Technical	4%	1%
Clerical, Sales	30	23
Service	30	45
Farm, Forestry, Fish	2	1
Processing	8	5
Machine Trades	4	5
Bench Work	3	6
Structural	4	9
Miscellaneous	15%	5%

TJTC IMPACT COMPARED TO GENERAL EMPLOYMENT PATTERNS

In addition to using the comparison group as a means to measure TJTC impact, understanding the results of TJTC participation was increased through comparing the experiences of the certified individuals to comparable workers in the general population. A wealth of literature describes the employment patterns of youth, especially low income youth, the handicapped, Vietnam era veterans and AFDC recipients which provides a background against which to view TJTC. In addition, studies of the impact of other employment and training programs provided useful comparative data.

Information on youth labor force participation is a good example of useful data on particular categories. In general, that information confirmed the high levels of unemployment, low incomes, and low labor force participation rates found in the year before certification in this study. Unemployment rates for the eligible population have been higher than the national average. When the Maryland unemployment rate was 9.3% for white male youth in 1981, the rate for minority male youth 18-19 years of age was 22.6%. Confirming the findings of this study regarding income differences by sex, the rates were somewhat higher for females than for males, but with the white female rate less than half the black male rate. For young males, employment in blue collar jobs provided over half the employment opportunities for workers under 20, jobs in industries with the highest unemployment rates. In contrast, young females primarily found employment in service and white collar occupations, two areas with the lowest jobless rates. These facts agreed with the female youth facts in this study, where females had lower average incomes than males but greater income gains once employment was secured under TJTC.[30]

The information on Vietnam-era veterans, likewise, clarified this study's findings. It explained the high pre-employment incomes of veterans and the failure of the veterans to experience a gain in income greater than credits earned by their employers. Vietnam era veterans at the time being studied here had made up most of the income differences compared to non-veterans with similar demographic characteristics noticeable in the 1970's. White Vietnam era veterans have actually begun to show some gains above white non-vets. Minority Vietnam era veterans, however, have gained only equality with minority non-vets. For both categories, occupational and industrial patterns indicated there was little likelihood of additional earnings gains compared to similar non-vets in the 1980's or beyond. The earnings of the veteran category under TJTC conformed with these general trends.[31]

For AFDC recipients, data on entry and exit patterns from the program were relevant. First, those patterns varied significantly by age. For older recipients, as those in this study, for every three years on benefits, the average recipient was off benefits for over two years. In addition, the length of the cycles on and off benefits was longer for whites than for minorities. Since everyone in this study, including the comparison group, was on benefits in early 1982, these cyclical trends, while possibly explaining some of the income gains, should have had no greater effect upon the earnings of the certified than on earnings of comparison AFDC recipients.[32]

For the handicapped, research has found significant differences in the earnings patterns of job seekers based upon both the nature of the handicap and the character of rehabilitation services received. The retarded have experienced the least gain from rehabilitation, while the physically handicapped have gained the most, particularly if the rehabilitation consisted primarily of vocational training. Surveys have found earnings gains in the year following rehabilitation of 46% compared to the pre-service year. The results of this study have documented earnings greater than these amounts, with the retarded experiencing the greatest gains. However, these gains reflected the impact of the placement assistance received by the retarded compared to other program participants rather than a reversal of earnings patterns.[33]

The impact of institutions can be lost in a study such as this which primarily counts gross statistics. No better example of this impact could be found than that of the small non-profit agency which placed the retarded individuals whose incomes were so high. Eight of the agency's clients were included among the sample of vocational rehabilitation clients. All eight were black. It is difficult to imagine a group facing greater barriers to employment than these workers. Of the eight individuals selected, five were in the group making over $5,000 in the year after hire. Only one other black vocational rehabilitation client made over $5,000 in the first year. This agency used the credit to get better jobs for its clients than would otherwise be expected. Its success made clear the necessity for giving the topic of institutional performance some attention.

Several difficulties arise in comparing TJTC changes with those of other programs. First, if the other program is evaluated during a different time period, calculations of the effect of changes in inflation and labor market conditions must be included. Also, there is the problem of differing program eligibility. In the states studied, the TJTC income eligibility criteria were considerably more difficult to meet than were those of CETA. The demographic characteristics of TJTC participants differed from those of participants in those parts (titles) of CETA compared to TJTC. Finally, there are basic problems with the quality of data on some programs, particularly the inclusion, as placements, of persons not employed as a result of the program. Despite all of these reservations, a few comparisons could be made. Specifically, the incomes after hire of members of the vouchered group were lower than those achieved by participants in CETA. However, since the TJTC samples began at a consistently lower average income in the year before eligibility, the first year gains of the certified groups were especially great compared to gains under CETA. Of course, because TJTC vouchering is done by some of the programs to which TJTC is compared, it is extremely difficult to describe which impact or how much of each impact should be attributed to each program.[34]

The impact of institutions was measured primarily using data internal to this study. The changes in income and work history of persons vouchered by different programs were compared. Using the retroactively certified, where no agency intervened in the hiring process, as a control group, the general impact of employment and training programs on TJTC was measured. Such measurement provided additional data for assessing the impact of vouchering.

THE IMPACT OF INSTITUTIONS

Using the Maryland data, the agency determining eligibility was correlated with the results of TJTC participation. The goal was to see if some patterns emerged which would define the public employment agency response which helped program participants best use the voucher to secure employment.

- Specialized placement programs had better TJTC placement rates than the Job Service for minority youth, AFDC recipients, and vocational rehabilitation clients.

For example, while CETA offices vouchered only 29% of all youth in the three groups in this study, they accounted for 42% of the vouchered job seekers hired. Among minority youth, they accounted for 53% of the hires. In the case of vouchered, white vocational rehabilitation clients, vocational rehabilitation offices made 39% of the eligibility determinations but accounted for 69% of vocational rehabilitation clients earning over $5,000 in the first year after hire.

Not all evidence supported the concept of quality service making a significant impact upon program experiences.

- Minority youth hired into TJTC jobs after being vouchered by the Job Service achieved income over $5,000 in each of the first two years after hire twice as often as CETA referrals, with similar characteristics, and minority welfare recipients vouchered by the Job Service did as well as Work Incentive Program (WIN) referrals in achieving incomes over $5,000.

In fact, the primary difficulty faced by the Job Service appears to be the overwhelming numbers of clients screened, compared to the specialized agencies. A Job Service client may wait longer for service and have less likelihood of securing employment with a particular voucher; however, if placed by the Job Service, the applicant has a slightly better chance than most others of securing significant income gains. Unfortunately, the Job Service devotes the majority of its TJTC effort to the processing of retroactive vouchers or "positive recruitment vouchers," which are nearly retroactive. If the Job Service devoted fewer resources to retroactivity and "positive recruitment" and more to referral of job seekers with tax credit vouchers, the income gains might have been more pronounced between the vouchered and the retroactively certified. "Positive recruitment" contaminates vouchering with essentially retroactive determinations, no doubt lowering the net income gains of the vouchered. Additionally, the Job Service might improve its TJTC placement rate without "positive recruitment."[35]

The impact of the retroactive determinations, in certain cases, was positive for all youth groups and, often, was greater than the corresponding impact of vouchering. While these results showed the TJTC subsidy can have an effect upon participant earnings without vouchering, the impact of retroactivity was qualified by many factors.

- Persons found eligible retroactively were not representative of all eligible categories, being primarily white youth.

- The white male youth had pre-TJTC incomes significantly higher, less often had no income, and were more often from suburban homes than non-retroactive white males, indicating they may be less disadvantaged than the vouchered job seekers.

- The retroactively certified workers did not experience significant changes in the industries in which they were employed, relative to the comparison group.

Positive benefits of retroactivity included:

- Significant earnings gains by male youth, expecially minority males,

- Qualified gains by female youth, greater than vouchered females,

- Remarkable promotion of the credit by TJTC consulting firms, and

- A competitive alternatuve to vouchering by public employment agencies, a vital function considering the indifferent support for TJTC vouchering often displayed by public employment and training programs.

Major institutional problems, both in the public and private sectors, result from the continuation of retroactivity. While retroactivity fostered credit useage by some major national corporations, particularly in the service and retailing sectors, it frustrated planned corporate hiring of eligibles. Retroactive users of the credit have assumed they will receive their tax credits without positively verifying job applicant eligibility before hire. They have not make special efforts to recruit eligibles, since they do not know who eligibles are until after hire. While retroactivity may have actually helped youth, especially minority male youth, it has had no impact on AFDC recipients and the handicapped. Furthermore, attempts by public employment agencies to use retroactivity to the best interest of the agencies, through positive recruitment, has diminished resources available for regular vouchering. Even without efforts to capitalize on retroactivity, large amounts of public agency resources continue to be devoted to processing the thousands of request letters filed each year.

The differences in the personal characteristics and program impacts among the retroactively certified and the vouchered are important to an evaluation of the vouchering component of TJTC. The key variable distinguishing the groups was the availability of the voucher in the job search. The process of vouchering through public employment programs added three key elements to the targeted wage subsidy provisions of the TJTC program:

1. It opened the program to job seekers from lower income families and from among the handicapped who depended upon public employment programs more than non-disadvantaged job seekers,

2. It led to greater income gains for participants, in addition to any they might have realized from the wage subsidy without vouchering, and

3. It opened employment opportunities in industries more varied than those using the credit retroactively.

CONCLUSION

This study has examined the income gains and work history changes of participants in the TJTC program, relating those changes to the basic concepts of the program. Full participants in the program, those vouchered before obtaining their TJTC job, experienced significant gains. The study reaches the following conclusions regarding the impact of vouchering:

1. Most subgroups among those vouchered before hire experienced income gains significantly greater than the comparison group. Those subgroups included, male youth, both white and minority; vocational rehabilitation clients, male and female, minority and white; and AFDC recipients, minority and white (only females were included in the AFDC category). There were mixed results for female youth, with white females earning much more than minority females. Vietnam-era veterans, while experiencing great earnings gains under TJTC, did not experience gains significantly greater than veterans in the comparison group.

2. Most of the gains were the result of the great gains made by approximately one-third of the participants, those who made over $5,000 in the year following being hired. This group remained with their TJTC employers for many months, and sixty-one percent were still employed by the certified employer in the second year after certification, with one third entitling their employer to the maximum credit. However, the other two thirds did not remain employed for a long time with the TJTC employer; they quickly returned to the income levels and employment patterns experienced by the comparison group. This finding has implications for the duration and amount of the credit.

3. Two years after being hired under TJTC, those using the voucher to secure jobs were employed in industries significantly more varied than the industries employing the comparison group. While most were employed in retailing or in service industries, a significantly large minority had entered transportation, communications, construction, and manufacturing employment. Since such industries tend to be those offering better wages and greater on-the-job training potential, those vouchered before hire probably have gained training, as well as higher income, from their participation in TJTC.

4. Vouchering became a workable procedure for assisting the job search efforts of many disadvantaged persons. This study found that persons from Missouri and Maryland vouchered before hire had used the form to secure significant earnings gains, through quicker entry into the work force. In addition, the form appears to have increased participant's chances for entry into industries with comparatively good opportunities for job training and retention.[36]

Those participating retroactively, were less representative of the eligible population and had more qualified gains. Minority male youth among the retroactives, however, were more disadvantaged before TJTC employment and gain more from their TJTC job than those vouchered. These gains, alone, may justify continuation of retroactivity. The most important result of retroactivity may be that a large number of major employers became aware of the tax credit and incorporated it into their personnel procedures because of the promotional activity of third party TJTC consulting firms which process retroactive paperwork.

The results of this study would suggest three possible program changes, in addition to program reauthorization, which could increase TJTC's impact while reducing its costs:

1. The most important, from a policy perspective, may be that related to the size of the credit. Other studies have suggested that the small difference in productivity between TJTC eligibles and non-eligible workers justifies a smaller one year credit.[37] The fact that most income gains by participants were experienced by a small number who remained with the TJTC employer for a comparatively long time challenges this suggestion.

   If the credit formula is to be changed, at least two alternatives would reduce short term credits and costs while reinforcing program impact:

   a. Increasing the second year credit while decreasing the first or

   b. Continuing the maximum credits while lowering the rate at which they are earned (such as, 30% of the first $10,000 in wages in the first year and 15% of the first $10,000 in the second).

2. In addition to questions related to the amounts of the credit, this study suggests additional attention might be given to retroactive certification. One problem of retroactivity is its use in the employment of only certain groups of eligibles. Perhaps businesses relying on retroactive eligibility determinations should be required to file annual TJTC hiring plans with the states, specifing their commitment to employing all eligibles.

   Administrative cost reductions are possible with little decline in impact if either of two alternatives for eliminating "letters of request" were adopted:

   a. Replacing the "letter of request" procedure with mandatory pre-employment vouchering or

   b. Allowing a brief post-hire "grace period," during which retroactive eligibility determinations could be done without a "letter of request," with no determinations allowed after that period.

3. Finally, attention could be given to encouraging more pre-employment vouchering. Several administrative changes could help. First, counting regular and retroactive certifications, which was done in 1981, could be resumed. Then, states could be held accountable for maintaining relatively low levels of retroactive certifications. A non-retroactive factor could be included in the funding formula for state Job Services, thereby encouraging more vouchering of job seekers.

Generally, this study has found benefits from TJTC participation, despite some administrative problems. While the findings of this study differ from some other TJTC evaluations, they are quite logical.[38] Offering a $4,500 subsidy to businesses for each handicapped and low income job seeker hired, inevitably would have an impact upon employer hiring policies and the incomes of eligibles. The program has fostered regular private sector cooperation with employment and training agencies.[39] If attention is given to refining the vouchering process, the program will have an even greater impact upon the employment problems of the disadvantaged with less waste of administrative funds and tax expenditures.

NOTES

1. Nicholas Kaldor, Essays on Economic Policy (New York: Norton, 1964), I, p. viii, reviews history of wage subsidies under the tax system; Dewey B. Larson, The Road to Full Employment (Portland, Ore.: North Pacific Publishers, 1976), pp. 146-147, has a critique of Kaldor's interpretation of early credits in Germany; Ragnar Frisch, Price-Wage Tax Subsidy Policies as Instruments in Maintaining Optimal Employment (Geneva: United Nations Economic and Employment Commission, 1949); Gerald J. Robinson, "Unemployment and Taxes - Tax Credits as a Selective Economic Stimulant," U. S. Senate, Committee on Labor and Public Welfare, Subcommittee on Employment and Manpower, Readings in Employment and Manpower, 88th Congress, 2nd Session, 1963, vol. III, 1975. On origins of TJTC see: Robert Eisner, "Tax Credits to Increase Employment and Reduce Inflation," U. S. Senate, Finance Committee, Subcommittee on Administration of the Internal Revenue Code, Hearings on Administration of the Existing Jobs Tax Credit and Policy Alternatives for the Future, July 18, 1978, 95th Congress, 2nd Session, 1978; see also, critiques of TJTC in: Committee for Economic Development, Training and Jobs Programs in Action (New York: CED, 1978), pp. 13-18; and comments of F. Ray Marshall, in U. S. House of Representatives, Committee on Ways and Means, Tax Aspects of President Carter's Economic Stimulous Program: Hearings before the Committee, 95th Congress, 1st Session, 1977, p. 143.

2. On the concept of targeted versus general subsidies, see: John H. Bishop, "The General Equilibrium Impact of Alternative Antipoverty Strategies," Industrial and Labor Relations Review, Vol. 32, no. 2 (January, 1979), pp. 221-222; Robert Eisner, "A Direct Attack on Unemployment and Inflation," Challenge: The Magazine of Economic Affairs, Vol 23, no. 3 (July-Aug., 1978), pp. 49-51; for general tax credit, without targeteing see: Jonathan R. Kesselman, Samuel H. Williamson, and Ernst R. Berndt, "Tax Credits for Employment rather than Investment," American Economic Review, Vol 67, no. 3 (June, 1977), pp.339-350; and, more recnetly, Dave M. O'Neill, "Employment Tax Credit Programs: The Effect of Socio-economic Targeting Provisions," The Journal of Human Resources, Vol. 17, no. 3 (Summer, 1982), pp. 449-459.

3. On vouchering, see John H. Bishop, "The Design of Employment Subsidies - Lessons of the U. S. Experience," unpubl. paper presented at 36th Congress on Public Finance and Public Employment, Jerusalem, August 25-29, 1980, p. 16; and Mary Fitzpatrick, Putting the Targeted Jobs Tax Credit Back to Work (Washington: Northeast Midwest Institute, 1980), pp. 18-20, and pp. 33-34.

4. A measure of the efforts of the two states is the percentage of eligibles vouchered before they secured employment. Missouri had 63.3% and Maryland 52.4% in 1981, the last year such data was published; of larger states, only Michigan had a higher percentage: U. S. Dept. of Labor, U. S. Employment Service, Office of Program Review, "Targeted Jobs Tax Credit Program (TJTC) Quarterly Summary: Period Ending March 31, 1981," mimeo.

5. The wage records of the state agency include at least 80% of the employed, major exclusions from the records being federal employees, railroad employees, certain farm employees, employees of some non-profit institutions, private household workers, and the self employed.

6. Orley Ashenfelter, "Estimating the Effect of Training Programs on Earnings," Review of Economics and Statistics, Vol. 63 (February, 1978), p. 51, has a good discussion of this problem; see also Howard S. Bloom, "Estimating the Effect of Job-Training Programs, Using Longitudinal Data: Ashenfelter's Findings Reconsidered," The Journal of Human Resources, Vol. 19, no. 4 (Fall, 1984), pp. 542-555; and, Laurie J. Bassie, "The Effect of CETA on the Postprogram Earnings of Participants," The Journal of Human Resources, Vol. 18, no. 4 (Fall, 1983), pp. 542-548.

7. U. S. Dept. of Commerce, Bureau of Census, County and City Data Book, 1983 (Washington: G. P. O., 1983).

8. National and Missouri data from U. S. Dept. of Labor, U. S. Employment Service, Office of Planning and Review, Targeted Jobs Tax Credit Program statistics for 1982, revised October 6, 1983; statistics for 1983, issued December 27, 1983; and 1984, issued January 15, 1985; additional data on Maryland taken from quarterly Targeted Jobs Tax Credit Reports 1-3, filed with U. S. Department of Labor.

9. On GI Bill see: Dave M. O'Neill, "Voucher Funding of Training Programs: Evidence from the GI Bill," The Journal of Human Resources, Vol. 12, no. 4 (Fall, 1977), pp. 425-445.

10. National Alliance of Business (newsletter), "Business Currents in Employment Policy," Vol., no. 1 (August 10, 1981), p. 4.

11. Letter from Edward J. Kelly to Dean Call, U. S. Dept. of Labor, TJTC Coordinator, Seattle Regional Office, dated Sept. 29, 1981, see Appendix 2 .

12. Gerstenhaber, Jacks and Co., "Targeted Jobs Tax Credit . . . How to . . .," p. 3, see Appendix 2; on the 1981 restrictions on retroactivity, see Jane Carmichael, "The Bounty Hunters," Forbes, Vol.128, no.2 (July 21, 1981), p.82; and Fitzpatrick, p.36.

13. Mailgram from William J. Haltigan, U. S. Dept. of Labor, Regional Administrator, Philadelphia, to state employment security agencies, dated November 6, 1981, subject: ""Update on Certification Provisions of the Targeted Job [sic] Tax Credit (TJTC) Program Extension," see Appendix 2.

14.Arnold Cantor, AFL-CIO, testimony before U. S. Senate, Committee on Finance, Subcommittee on Economic Growth, Employment and Revenue Sharing, Hearings, March 2, 1984, 98th Congress, 2nd Session, discusses the unavailability of positive recruitment services to any but the largest employers wanting tax credits.

15. Randall B. Ripley and Grace A. Franklin, "Private Sector Involvement in Public Employment and Training Programs," Report prepared for the National Commission for Employment Policy, December, 1981, p. 80.

16. Memorandum fron Joan Wills, of the National Governors' Association, to state employment and training administrators, dated January 18, 1979, Appendix 2.

17. National Alliance of Business, "Business Currents in Employment Policy," Vol. 1, no. 3 (September 7, 1981), p. 14.

18. U. S. Dept. of Labor, Employment and Training Administration, Regional Field Instruction, ADM. No. 36-81, Interim Operating Instructions -- Targeted Jobs Tax Credit (TJTC) Program - No. 1, September 10, 1981; mailgram William Haltigan, Dept. of Labor Regional Administrator, Philadelphia, to state employment security administrators, September 23, 1981, see Appendix 2.

19. U. S. Dept. of Treasury, Internal Revenue Service, News Release, December 22, 1981, (IR-81-139 Corrected), p. 3; mailgram U. S. Dept. of Labor, to state employment security administrators, January 12, 1982, see Appendix 2.

20. U. S., Dept. of Labor, Employment and Training Administration, The Employment Service: An Institutional Analysis (Washington: G. P. O., 1977), p. 40; see also Peter M. Blau and Richard A. Schoenherr, The Structure of Organizations (New York: Basic Books, 1971), pp. 113-122, discussing general responsiveness of employment services to change.

21. Letter from Eugene Weigman, State of Washington Commissioner of Employment Security, to Jess C. Ramaker, Regional Administrator, Employment and Training Administration, U. S. Dept. of Labor, February 5, 1979, see Appendix 2: also see Fitzpatrick, pp. 33-34.

22. Ripley and Franklin, p. 80.

23. Terence F. Kelly, et. al., An Evaluation of the Workfare Program in the State of Maryland: Final Report, March, 1982 (Baltimore: Univ. of Md. School of Social Work and Community Planning, 1982), p. C-5; pp. A-8-20, C-10.

24. Blau and Schoenherr, pp. 212-213; Gary Walker, Hilary Feldstein, and Katherine Solow, An Independent Sector Assessment of the Job Training Partnership Act Phase II: Initial Implementation (Washington: U. S. Government Printing Office, 1985), p. 33.

25. O'Neill, "Employment Tax Credit," pp. 452-455.

26. David Shapiro, "Wage Differentials among Black, Hispanic, and White Young Men," Industrial and Labor Relations Review, Vol. 37, no. 4 (July, 1984), pp. 570-581, provides a background upon which to judge racial differences in TJTC starting wages; on wage rates and employment of youth, see also Robert H. Meyer and David A. Wise, "The Effects of the Minimum Wage on the Employment and Earnings of Youth," Journal of Labor Economics, Vol 1, no. 1 (Jan., 1983), pp. 66-100; Eisner, "A Direct Attack," p. 51, relates wage subsidies to minimum wage research.

27. Maryland, State of, Department of Human Resources, Employment Security Administration, Special Report on Youth (Baltimore, Dept. Hum. Res., 1981), 56, does not distinguish between disadvantaged and non-disadvantaged.

28. Michael D. Ornstein, Entry into the American Labor Force (New York: Academic Press, 1976), pp. 90-96, has data on changes in the "prestige" of jobs two years after labor force entry finding only small shifts in prestige.

29. Ibid., p. 92, found comparable rates for remaining in initial job, particularly for black youth.

30. Maryland, Special Report on Youth, pp. 100-101; Robert Lerman, "An Analysis of Youth Employment Problems," in The Vice President's Task Force on Youth Employment, A Review of Youth Employment Problems, Programs, and Policies: Vol. 1 (Washington: U. S. Dept. of Labor, 1980), pp. 7-33; on youth job changing see: Brian C. Becker and Stephen M. Hills, "The Long-Run Effects of Job Changes and Unemployment among Male Teenagers," The Journal of Human Resources, Vol. 17, no. 2 (Spring, 1983), pp. 197-211; and Ray C. Rist, "Walking through a House of Mirrors: Youth Education and Employment Training," Education and Urban Society, Vol. 14, no. 1 (Nov., 1981), pp. 16-17..

31. Mark C. Berger and Barry T. Hirsch, "The Civilian Earnings Experience of Vietnam-Era Veterans," The Journal of Human Resources, Vol. 18, no. 4 (Fall, 1983), pp. 455-479.

32. Robert M. Hutchins, "Entry and Exit Transitions in A Government Transfer Program: The Case of Aid to Families with Dependent Children," The Journal of Human Resources, Vol. 16, no. 2 (Spring, 1981), pp. 233-235; Robert Plotnik, "Turnover in the AFDC Population: An Event History Analysis," The Journal of Human Resources, Vol. 18, no. 1 (Winter, 1983), pp. 76-79; see also Daniel S. Hamermesh, "Subsidies for Jobs in the Private Sector," in Creating Jobs: Public Employment Programs and Wage Subsidies, ed. John Palmer (Washington: The Brookings Institution, 1978), p. 94.

33. Sar A. Levitan and Robert Taggart, Jobs for the Disabled (Baltimore: The Johns Hopkins University Press, 1977), pp. 27-68; Bruce S. Growick and Dean Stueland, "The Relationship between Differential Service Patterns and Change in Weekly Earnings for Three Disability Groups," Rehabilitation Counseling Bulletin, Vol. 22, no. 5 (June, 1979), pp. 431-435.

34. U. S. Department of Labor, Employment and Training Administration, Field Memorandum No. 112-79, January 19, 1979, p. 6, see Appendix 2, says, "It is important to regognize that the definition for economically disadvantaged . . . for purposes of determining TJTC (Targeted Jobs Tax Credit) eligibility, is not as broad as the definition contained in the CETA Reauthorization legislation." Studies similar to this evaluation of TJTC, using income data to evaluate program impact, include: U. S. Department of Labor, Office of Program Evaluation, Continuous Longitudinal Manpower Survey: Follow Up Report No. 2 Post program Experiences and Pre/Post Comparisons for Terminees Who Entered CETA during Fiscal Year 1976 (July, 1975-June,1976) (Rockville, Md.: Westat Inc., 1979), table D-60; Morlock, Laura, et. al., Long-Term Follow-up of Public Service Employment Particiapnts: The Baltimore SMSA Experience During the 1970's (Baltimore: Health Services Research and Development Center, Johns Hopkins Medical Institutions, 1981), pp. 52-63, used starting wage data rather than income; of course Ashenfelter and Bloom are similar in methodology. On the quality of program data, see, for example: Bradley R. $chiller, "The Impact of WIN 2: A Comment," The Journal of Human Resources, Vol. 12, no. 3 (Summer, 1977), p. 412, "The general inflation factor built into state-reported placement statistics arises from the strong incentive WIN managers have to boost placement rates . . . In the crudest cases, they simply identify employed welfare recipients and retroactively certify them as WIN participants (and placements!)."

35. Many elgibles do not go to public employment programs in search of a job, see: Maryland, State of, Governor's Task Force on Youth Employment, *Report of . . .* , April, 1982, p. xiv, found 31.5% of youth 20-24 years of age used public employment agencies in their job search; on job search methods see also Ornstein, p. 54, who found less educated youth used public agencies less than the more educated.

36. Using old data, from before 1982, Gary Burtless, "Manpower Policies for the Disadvantaged: What Works?" *The Brookings Review*, Vol. 3, no. 1 (Fall, 1984), p. 21 is very critical of vouchering as a practice which documents an eligible worker's inferiority; see also, Bishop, "The Design," p. 16; and Fitzpatrick, pp. 18-20, and 33-34, for discussions of vouchering problems, both from the early years of the credit, as Burtless.

37. John Bishop, testimony before U. S. Senate, Committee on Finance, Subcommittee on Economic Growth, Employment and Revenue Sharing, *Hearings on Targeted Jobs Tax Credit, March 2, 1984*, 98th Congress, 2nd Session, pp. 10 - 13.

38. Critics of TJTC's impact include: Burtless, p. 21; Sean Sullivan, "Youth Employment," in Jack A. Meyer, ed., *Meeting Human Needs: Toward a New Public Philosophy* (Washington: American Enterprise Institute for Public Policy Research, 1982), pp. 232-233. A basic criticism of TJTC has been that it encourages the substitution of eligible workers for non-eligibles, as Cantor, pp. 4-5; such criticisms were raised before the enactment of TJTC, see: Rudolph Oswald, of the AFL-CIO, testimony, in U. S. House, *Tax Aspects*, pp. 532-546; also comments on the New Jobs Tax Credit by Arnold Packer, quoted in "The Surprising Impact of the Jobs Tax Credit," *Business Week* (August 21, 1978), p. 23. On the more general substitution problems of other employment and training initiatives, primarily OJT, see: Henry Levin, "A Decade of Policy Developments in Improving Education and Training of Low Income Populations," in Robert Haveman, ed., *A Decade of Federal Antipoverty Programs* (New York: Academic Press, 1977), p. 178; Donald S. Hamermesh, *Economic Aspects of Manpower Training Programs* (Lexington, Mass.: D. C. Heath, 1971), pp. 14-46; Irwin Garfinkel, "A Skeptical Note on 'The Optimality' of Wage Subsidy Programs," *American Economic Review*, Vol. 63, no. 3 (June, 1973), p. 452; and Michael C. Barth, "Market Effects of a Wage Subsidy," *Industrial and Labor Relations Review*, Vol. 27, no. 4 (July, 1974), p. 585.

39. Some critiques of TJTC disagree with the extent of private sector use; however, they base conclusions upon early program data, see: Burtless, p. 21; O'Neill, pp. 455-457; and U. S., General Accounting Office, Program Analysis Division, "Comments on Employment Tax Credits, (PAD 81-73)," comments prepared for U. S. Senate, Finance Committee, Subcommittee on Economic Growth, Employment and Revenue Sharing, 97th Cong., 1st Session, June 5, 1981.

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APPENDIX A

The tables on the four following pages contain basic data and computations of significance used in this study. Tables A-C contain income data for the year before eligibility and the first and second years after participation. Table D lists the significance of selected correlations referenced in the text.

The following information is contained in Tables A-C. The first numerical column is the total of all individual incomes for persons with the characteristics indicated. The next column indicates the total number of persons included in the study with those characteristics. The third numerical column shows the number of persons from among the total cases who had NO reported income in the year. The total sum of squares column has the total of each income squared; the statistic which allows for various significance tests to be applied to the data. The next column shows the significance of 't' when the incomes of all persons in a given certified group are compared to the incomes of all persons in the corresponding comparison category. The significance measured here is based upon comparing data for the same year. The last column is like the previous, except that only those cases which had reported income were included.

With the data in Tables A-C, other students of the credit can correlate income gains across years and between any categories. Many of these alternative correlations are referenced in the text.

TABLE A

RAW INCOME DATA, BY GROUP AND CHARACTERISTIC, MARYLAND AND MISSOURI, 1981

CHARACTERISTIC	TOTAL INCOME	TOTAL CASES	CASES WITH NO INCOME	TOTAL SUM OF SQUARES	SIGNIFICANCE LEVEL - t CERTIFIED CATEGORY COMPARED TO SIMILAR CATEGORY IN COMPARISON GROUP:	
					All cases	No Income cases excluded
COMPARISON GROUP						
White male yth	130,506	99	49	609,311,918		
White fem. yth	123,926	100	42	494,622,332		
Min. male yth	110,890	100	52	519,114,932		
Min. fem. yth	113,178	99	45	464,408,682		
White rehab.	75,099	50	25	428,276,209		
Min. rehab.	26,544	50	28	84,068,330		
Min. Viet vet	75,379	50	18	362,403,099		
White Viet vet	134,617	50	20	1,591,196,563		
White AFDC	116,645	100	51	667,794,993		
Min. AFDC	129,166	98	45	616,344,000		
VOUCHERED GROUP						
White male yth	113,617	88	35	486,694,789	-	-
White fem. yth	120,149	96	29	475,065,741	-	-
Min. male yth	128,831	86	30	767,680,157	-	-
Min. fem. yth	65,520	84	36	179,837,152	-	-
White rehab.	107,705	38	14	1,042,555,817	.05	-
Min. rehab.	37,281	38	21	161,699,835	.1	.1
Min. Viet vet	88,049	34	9	764,653,941	.1	-
White Viet vet	152,719	48	17	1,409,444,375	-	-
White AFDC	85,545	73	35	355,154,243	-	-
Min. AFDC	87,730	87	42	335,985,550	-	-
RETROACTIVELY CERTIFIED GROUP						
White male yth	185,588	92	19	959,789,974	.025	-
White fem. yth	136,931	93	26	475,239,067	-	-
Min. male yth	59,414	66	29	178,576,266	-	-
Min. fem. yth	72,667	64	25	302,585,141	-	-
Min. AFDC	38,905	44	19	126,357,219	-	-

TABLE B

RAW INCOME DATA, BY GROUP AND CHARACTERISTIC, MARYLAND AND MISSOURI, 1982-83

CHARACTERISTIC	TOTAL INCOME	TOTAL CASES	CASES WITH NO INCOME	TOTAL SUM OF SQUARES	SIGNIFICANCE LEVEL - t CERTIFIED CATEGORY COMPARED TO SIMILAR CATEGORY IN COMPARISON GROUP:	
					All cases	No Income cases excluded
COMPARISON GROUP						
White male yth	191,544	99	41	1,107,408,702		
White fem. yth	204,694	100	43	1,205,995,160		
Min. male yth	179,400	100	41	1,089,305,392		
Min. fem. yth	142,739	99	52	1,041,665,765		
White rehab.	86,855	50	26	717,206,407		
Min. rehab.	60,298	50	27	337,495,598		
Min. Viet vet	134,947	50	18	995,089,909		
White Viet vet	161,215	50	19	1,466,309,041		
White AFDC	146,737	100	47	891,998,937		
Min. AFDC	152,900	98	51	886,714,542		
VOUCHERED GROUP						
White male yth	397,749	88	10	3,652,100,209	.0005	.01
White fem. yth	351,810	96	6	2,742,284,460	.0005	-
Min. male yth	313,652	86	7	2,062,102,939	.0005	.1
Min. fem. yth	222,350	84	8	1,278,485,004	.005	-
White rehab.	232,018	38	4	2,569,998,150	.0005	.025
Min. rehab.	159,219	38	1	1,206,673,237	.0005	.05
Min. Viet vet	161,743	34	3	1,129,063,654	.005	-
White Viet vet	246,884	48	5	2,507,601,618	.05	-
White AFDC	336,785	73	6	2,517,873,909	.0005	.0005
Min. AFDC	343,300	87	6	2,334,339,262	.0005	.05
RETROACTIVELY CERTIFIED GROUP						
White male yth	444,460	92	-	3,704,310,952	.005	.01
White fem. yth	354,449	93	3	2,211,563,093	.0005	-
Min. male yth	242,357	66	3	1,563,161,351	.0005	.1
Min. fem. yth	230,516	64	4	1,436,650,968	.0005	-
Min. AFDC	128,439	44	4	664,928,069	.005	-

TABLE C

RAW INCOME DATA, BY GROUP AND CHARACTERISTIC, MARYLAND AND MISSOURI, 1983-84

CHARACTERISTIC	TOTAL INCOME	TOTAL CASES	CASES WITH NO INCOME	TOTAL SUM OF SQUARES	SIGNIFICANCE LEVEL - t CERTIFIED CATEGORY COMPARED TO SIMILAR CATEGORY IN COMPARISON GROUP:	
					All cases	No Income cases excluded
COMPARISON GROUP						
White male yth	311,172	99	41	3,000,340,300		
White fem. yth	244,088	100	48	1,880,285,436		
Min. male yth	247,485	100	41	1,712,668,525		
Min. fem. yth	172,767	99	58	1,228,954,633		
White rehab.	113,926	50	26	1,045,714,504		
Min. rehab.	70,928	50	30	495,086,442		
Min. Viet vet	206,653	50	15	2,975,105,933		
White Viet vet	213,833	50	19	2,274,074,003		
White AFDC	235,482	100	47	1,762,913,408		
Min. AFDC	264,466	98	43	2 247,076,876		
VOUCHERED GROUP						
White male yth	457,861	88	23	5,540,813,997	.005	.05
White fem. yth	387,394	96	20	3,140,515,040	.005	-
Min. male yth	366,261	86	22	3,331,399,211	.005	.025
Min. fem. yth	248,329	84	25	1,678,909,227	.01	-
White rehab.	232,162	38	8	2,867,388,278	.0005	.025
Min. rehab.	114,585	38	15	885,344,267	.025	-
Min. Viet vet	188,607	34	4	1,905,591,651	-	-
White Viet vet	234,926	48	15	1,249,101,994	-	-
White AFDC	405,169	73	17	4,722,772,421	.0005	.0005
Min. AFDC	378,871	87	18	4,310,826,397	.01	-
RETROACTIVELY CERTIFIED GROUP						
White male yth	482,119	92	13	5,140,199,213	.005	-
White fem. yth	424,253	93	7	3 831,142,103	.0005	-
Min. male yth	250,911	66	17	2,338,661,909	.025	-
Min. fem. yth	267,344	64	10	1,908,191,202	.0005	-
Min. AFDC	102,925	44	17	708,219,199	-	-

TABLE D

DESCRIPTION OF SELECTED CONTINGENCY TESTS, BY GROUP, NUMBER IS VALUE OF CHI-SQUARE

Residence, 1982, number in urban/suburban classification, compared to other, for Vouchered and Retroactively Certified (36.13)

Residence, 1982, number in urban suburban classification, compared to other, for Comparison and Retroactively Certified (15.98)

Starting wage, TJTC Job, wages of $3.35/hr. or less, compared to other, for Vouchered and Retroactively Certified (16.39)

Occupational classification of TJTC Job, classifications (DOT, one digit) 5 and above, compared to other, for Vouchered and Retroactively Certified (9.17)

High and Low Income Groups (Table 18), number white males, compared to other, in each group (5.53); number minority females (11.60); number AFDC recipients 1982 (10.70)

High and Low Income Groups (TABLE 18), credit range, after two years, under $500, compared to other (34.25); and over $3,000, compared to other (152.08)

Credit range, after two years, over $3,000,compared to other, for Vouchered and Retroactively Certified (5.02)

AFDC recipients in 1984 from among 1982 recipients, number receiving compared to not receiving, for Vouchered and Comparison (3.27); for Retroactively Certified and Compariosn, not significant.

Industrial classifications of 1984 job, trade compared to other, for Vouchered and Retroactively Certified (9.66)

NOTE: Additional results indicated in Table 5 for number with no income in 1981 by characteristic in vouchered and retroactively certified groups relative to comparison group.

APPENDIX B

This appendix contains copies of nine unpublished documents referenced in the text or notes. The documents are arranged in chronological order. A brief summary of each document is provided on appropriate pages. Below is a listing of the documents indicating the page on which each begins.

ITEM	PAGE
1. Memo from National Governors' Association to State Employment and Training Administrators, dated January 18,1979	B-2
2. Field Memorandum from U. S. Dept. of Labor national office to regional offices, dated January 18, 1979	B-3
3. Letter from Eugene Wiegman, Commissioner State of Washington Employment Security Department to Jess Ramaker, U. S. Dept. of Labor Regional Administrator, dated February 5, 1979	B-13
4. Mailgram, U. S. Dept. of Labor, Region III, to state employment security agencies, dated September 23, 1981	B-15
5. Letter from Edward J. Kelly, Vice President Reed Roberts Human Resource Services, Inc., to Dean Call, U. S. Dept. of Labor Regional Administrator, dated Sept. 29, 1981	B-16
6. Mailgram, U. S. Dept. of Labor, Region III, to state employment security agencies, dated November 6, 1981	B-18
7. U. S. Dept. of Treasury, Internal Revenue Service, News Release, dated December 22, 1981	B-19
8. Mailgram, U. S. Dept. of Labor, Region III, to state employment security agencies, dated January 12, 1982	B-23
9. McDonald's Targeted Jobs Tax Credit manual	B-24

Memorandum from National Governors' Association to the states referenced in note 16, objecting to designation of state employment security agencies as the certifying agency under TJTC.

National Governors' Association

Julian M. Carroll
Governor of Kentucky
Chairman

Stephen B. Farber
Director

January 18, 1979

TO: State Employment and Training Administrators

FROM: Joan Wills JLW

SUBJECT: Targeted Jobs Tax Credit Program

Attached for your information is a copy of the Department of Labor field memo detailing arrangements for implementation of the targeted jobs tax credit program. The administrative arrangements set forth in the field memo have been the subject of intensive debate and discussion between the Department of Labor and NGA over the last three weeks, with the particular point of controversy being the role of the Governor in managing the overall implementation of the TJTC program. Page five of the field memo addresses the role of Governors in coordinating TJTC implementation, and especially urges the Governor to convene a meeting of all participating state agencies, local prime sponsors, and other interested agencies (e.g. economic development agencies) by no later than February 5 to stress the importance of the program and "the need for complete cooperation at the state level."

You will note that state employment security agencies have been jointly designated by the Secretary of Labor and the Secretary of Treasury to provide certification and operational management for the TJTC program at the state and local level. We have voiced strong protest to DOL and the White House regarding this designation based on: 1) failure of the federal government once again to recognize the Governor as the chief executive officer of state government; 2) the imposition of another federal mandate on SESA's without the approval of the Governor or the front-end funding necessary to support these new responsibilities; and 3) a further attempt to bypass Governors in establishing state administrative structures and arrangements.

In response to our concerns, Department of Labor officials have indicated that in their view the current language of section 105(b) of CETA and the Wagner-Peyser Act does not provide the legal foundation for the Secretary to contract with Governors directly to carry out the TJTC program. Without debating the legal pros and cons, this problem further underscores the need for a clearly defined Governor's role in a rewrite of the Wagner-Peyser Act and in any welfare reform jobs legislation.

While we are not totally pleased with the arrangements set forth in the field memorandum, the TJTC program represents a major new opportunity for involving the private sector in meeting the job needs of the structurally unemployed. Inasmuch as the tax credit has technically been in effect since January 1, it is essential that Governors and state agencies move rapidly to develop certification and referral arrangements for employers and eligible workers. If NGA can be of assistance in this effort, please feel free to contact either me (624-5355) or Dave Arnold (624-5350).

JW:lg

Field memorandum explaining TJTC start-up procedures, developed by Dept. of Labor TJTC task force (p. 6 of this document is referenced in note 34); this document is the most important summary of TJTC in the early years of the program.

U.S. DEPARTMENT OF LABOR
Employment and Training Administration
Washington, D.C. 20213

CLASSIFICATION
ES

CORRESPONDENCE SYMBOL
TEPD

DATE
January 18, 1979

DIRECTIVE: FIELD MEMORANDUM NO. 112-79

TO : REGIONAL ADMINISTRATORS

FROM : DON A. BALCER
Acting Administrator
Field Operations

SUBJECT : Targeted Jobs Tax Credit (TJTC)

1. Purpose. To provide initial plans and procedures for the February 15, 1979, start-up of TJTC certifications.

2. Reference. "Revenue Act of 1978" (P.L. 95-600)

3. Background. As part of his urban program, President Carter requested and Congress approved a targeted employment tax credit under the Revenue Act of 1978. The Act also revised the WIN and Welfare tax credits. The purpose of these credits is to provide an advantage in the labor market for those who have the most difficulty in finding employment. It is founded on three principles: work as a way for the disadvantaged to gain the skills, training and experience they need to succeed; employment in the private sector as the best hope of solving the problems of structural unemployment; and targeting resources on those most in need.

These tax credits, along with the Title VII Private Sector Initiative Program, are intended to further the partnership between the employment and training system and the private sector in dealing with the problems of the disadvantaged and unemployed. These credits are a cost effective way of increasing private sector employment opportunities. They offer taxpaying businesses direct incentives to make more and better jobs available to the disadvantaged and to retain these workers in the critical first two years of employment. They are additional tools that can be used by CETA prime sponsors to transition eligible participants out of employment and training programs into the private sector. They will also assist the State Employment Security Agency (SESA) and other State and local agencies to place clients in private sector jobs.

TJTC applies to wage costs incurred by firms between January 1, 1979, and December 31, 1980, for certified employees hired after September 26, 1978. The credit is equal to 50 percent of first year wages up to $6,000 and 25 percent of such wages during the second year; i.e., the maximum allowable credit for the first year is $3,000, while the maximum allowable credit is $1,500 for the second year.

RESCISSIONS	EXPIRATION DATE
	December 31, 1980

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ETA 4-100
[illegible] 1978

In an effort to implement the Tax Credit Program as expeditiously and efficiently as possible, a Task Force has been established. The Task Force, composed of representatives from State agencies as well as ETA national office and regional components, is directed by Charles I. Carter (FTS 8-376-6646) and will be in operation for approximately 90 days.

4. Program Eligibility. The following targeted groups are eligible for certification under the TJTC:

(a) Recipients of Supplementary Security Income (SSI) Payments.

(b) Handicapped individuals or disabled veterans who have completed or are undergoing rehabilitative services pursuant to programs under the Rehabilitation Act of 1973 or Chapter 31 of title 38, United States Code.

(c) Youth, ages 18 through 24, who are members of economically disadvantaged families.

(d) Youth, ages 16 through 18, who are participants in a qualified cooperative education program.

(e) Vietnam-era veterans, under age 35, who are members of economically disadvantaged families.

(f) Recipients of general assistance (money payments) for any period of not less than 30 days ending with the preemployment period.

(g) Ex-convicts (felons) who are members of economically disadvantaged families, provided they are hired within five years after the date of release from prison or date of conviction.

In accordance with the Revenue Act of 1978, "members of economically disadvantaged families" is defined as follows: "...a member of a family which had an income during the 6 months immediately preceding the month in which the hiring date occurs, which, an on annual basis would be less than 70 percent of the Bureau of Labor Statistics lower living standard."

5. Overall Strategy

In order to effectively implement the TJTC program, arrangements must be cooperatively made within the employment and training community of each local prime sponsor/labor market area to carry out eligibility determinations, referrals, recordkeeping and program publicity. To achieve these arrangements, DOL policy is to utilize the currently available systems that have been established in each community. Therefore, the Secretary is requesting the State

Employment Security Agency to convene a meeting in each local prime sponsor/labor market area of all participating agencies, to work out an arrangement that utilizes locally existing systems to carry out the necessary functions. The following roles have been designed to achieve these objectives:

Governors - will be responsible for promoting the full participation of State agencies in the program including assistance in the negotiation of State and local cooperative agreements.

State Agencies (e.g., Voc. Ed. and Voc. Rehab.) - will be involved in developing formal cooperative agreements at the State level which will serve as the basis upon which their operating units throughout the State participate under a local prime sponsor/labor market area cooperative agreement. These agreements will include delineation of responsibility for the following functions: eligibility determinations; referrals; reporting; recordkeeping and publicity. The SESA will be responsible for coordinating the development of State and local cooperative agreements. The SESA will be delegated the authority to enter into such agreements by the U. S. Department of Labor.

Other Agencies and Organizations (Not Covered By State Agreements) - will be involved in developing local cooperative agreements with the SESA which will include the functions listed above. The agreements will be formulated under flexible guidelines to allow for local discretion as to how the TJTC functions will be performed.

Private Industry Councils (PICs) and Job Service Improvement Program (JSIP) Employer Committees - are expected to fully participate in the development of local cooperative agreements and play a major role in marketing the program.

The overall guiding objectives for the State and local activities will be to effectively and efficiently implement the Administration's Private Sector Initiatives in a cooperative fashion by February 15, 1979.

6. Cooperative Agreements

Elements of the State and local agreements will not follow an established pattern; rather, they will be open for negotiation between the SESA and various program participants, so long as the following minimum standards are incorporated in each formal agreement:

- that procedures minimize, for applicants and employers, the number of contacts and processing stages;

- that a system be established for the orderly management of TJTC job orders, applicant referrals, and records;
- that an eligibility determination process be established, so as to be responsive to employer requests for eligible applicants within a 3-day period;
- that paperwork requirements be kept to a minimum;
- that procedures be mutually developed to allow the SESA to adequately meet its monitoring responsibilities of TJTC activities; and
- that the SESA will be the single point of contact in the local labor market area, to respond to employer and applicant inquiries regarding the program. (Employers are not precluded from contacting participating agencies directly.)

It must be emphasized that although some local cooperative agreements may not be finalized by February 15, which is the expected start-up date, interim agreements with local participating agencies must be negotiated as expeditiously as possible so that certifications can begin on February 15, 1979. In the event that this date cannot be met, participating agencies should, at least, be prepared to take initial TJTC applications.

7. Program Administration and Operation

(a) Role of the Federal Government

The Employment and Training Administration (ETA) will have overall authority and responsibility for TJTC, as delegated by the Secretary of Labor. ETA will issue implementing instructions, provide for program management and oversight, and coordinate with other Department of Labor components, Federal agencies, and national organizations, as appropriate. ETA will also develop a Memorandum of Agreement with the Internal Revenue Service, delineating the respective responsibilities of each agency in the conduct of the program. Further, ETA will develop cooperative agreements with other Federal agencies and national organizations to provide for participation of their local units that serve the eligible groups.

(b) Role of the Governors

Pursuant to Section 105(b)(1), (2) and (3) of CETA, Governors are responsible for coordinating all employment and training, education and related services provided by the State, by prime sponsors, by State education agencies and other appropriate institutions of vocational education, State and local public assistance agencies, and by other providers of such services within the State. The Governors are also responsible for coordinating programs financed under the Wagner-Peyser Act and CETA, including assisting in negotiation of any agreement. Further, Governors are to ensure that comprehensive employment and training plans do not unnecessarily result in duplication of services.

Governors will be encouraged to convene a meeting of all participating State agencies, local prime sponsors, and other interested agencies, such as economic development agencies, before February 5, 1979, to stress the importance of the program and the need for complete cooperation at the State level. Further, Governors will play a continuing role in ongoing program coordination and publicity. The Governors may utilize the State Employment and Training Council as a forum for this meeting.

The Governor's role in coordinating the TJTC program within the framework of the provisions of CETA shall be described in the Governor's Coordination and Special Services Plan. The Governor's plan will be subject to public reviews pursuant to Section 104 of CETA.

(c) Role of the State Employment Security Agencies

The Secretary of Labor and the Secretary of the Treasury are jointly designating the SESA in each State as the designated local agency for certifications under Sec. 51(d)(12) of the Internal Revenue Service Code. The SESAs will provide certification and operational management for the TJTC program at the State and local level. This will include the following responsibilities:

- negotiating cooperative formal agreements with CETA prime sponsors and other agencies and organizations participating in the program
- training SESA and participating agency staff in program operations and providing technical assistance
- establishing and maintaining a central recordkeeping and reporting capability

- maintaining an adequate supply of program forms
- participating with JSIPs in program publicity
- monitoring the cooperative agreements on an ongoing basis

In order to assume certification and operational management responsibility, and receive funds that have been requested for this purpose, SESA Administrators must sign an Agreement* (attached) with the U. S. Department of Labor.

(3) Role of Participating Agencies

CETA Prime Sponsors

CETA prime sponsors will play an important part in the TJTC program. Specifically, they will have exclusive responsibility for the eligibility determinations of the following targeted group applicants who, as one requirement in their eligibility determination, must be members of disadvantaged families:

- Youth, ages 18 through 24
- Vietnam-era veterans, under the age of 35
- Ex-convicts (felons), provided they are hired within five years after the date of release from prison or date of conviction

Please note that CETA prime sponsors may continue existing arrangements for eligibility determinations with SESAs or negotiate new ones.

It is important to recognize that the definition for economically disadvantaged (see Item 4. Program Eligibility), for purposes of determining TJTC eligibility, is not as broad as the definition contained in the CETA Reauthorization legislation. However, the determination for family member and allowable family income will follow the CETA regulations.

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* Regional Administrators should make a concerted effort to have all agreements signed by January 26, 1979. If problems surface during this process, you should immediately phone Charles Carter. When agreements are signed, one copy should be retained by the SESA and regional office, and the original and one copy should be sent to the Director, TJTC Task Force at the following address:

601 D Street, N. W.
Room 8000, Patrick Henry Building
Washington, D. C. 20213

In addition to their participation in the eligibility determinations process, CETA prime sponsors, in cooperation with PICs and JSIP employer committees, will participate in program publicity.

The TJTC responsibilities of prime sponsors will be described in their annual plan, based on the formal, cooperative agreement that is made with the SESA.

Other Participating Agencies

In addition to CETA prime sponsors, local agents to be subdesignated for participation in the program can be those agencies serving the targeted groups. The local agents will participate in the eligibility determination, referral and publicity related functions. Those agencies may include, but not be limited to the following:

- Welfare Offices
- SSA District Offices
- Cooperative Education Schools (as required by law to certify co-op students)
- Vocational Rehabilitation District Offices
- ETA Grantees (e.g., Indians and Farmworkers)

The SESA will develop formal, cooperative agreements with each participating agency, including prime sponsors, in consultation with JSIP employer committees. PICs are to be consulted when established.

8. Voucher/Certification Process

(a) TJTC Forms

There are three standardized TJTC forms (attached) that must be used for applicant processing and certifications: Voucher; Applicant Characteristics, and the Employee Certification. A camera-ready copy of the forms will be sent to each State agency, so as to arrive no later than February 1, 1979. The forms must be reproduced and in the hands of all participating agencies, as soon as possible, so that applicant processing can begin on February 15, 1979. It is critical, therefore, that SESAs immediately begin to make the necessary preparations to meet this deadline.

(b) Procedures

In addition to eligible clients in participating agencies who may be ready for job search/referral, applicants and employers may seek eligibility determinations through a number of sources:

- Employers may refer workers who were hired on or after September 27, 1978
- Employers may also refer job applicants
- Individuals may seek eligibility determination as a result of program publicity or information provided by intake workers in other agencies and organizations

The process is initiated by first determining if the applicant is eligible* for the program. If eligible, the intake staff will complete the Voucher Form and the Applicant Characteristics Form. The applicant will be given a copy of the Voucher Form and referred to a specific employer or may conduct his own job search. One copy of the Voucher Form and Applicant Characteristics Form will be sent to the SESA TJTC unit and another copy of these forms will be retained by the participating agency. Within 24 hours after receipt of the forms, the TJTC unit must review each form for completeness and determine if the information related to eligibility is consistent with the eligibility criteria for the particular targeted group. Where information is incomplete or does not support the eligibility determination, TJTC staff should immediately contact the participating agency, by telephone, and obtain the appropriate information. Where required, the participating agency will take corrective action, which may include immediate invalidation of the voucher. This process must be handled expeditiously and thoroughly, to minimize hiring commitments by employers, based upon invalid vouchers.

When an employer returns the "Employer Declaration" portion of the Voucher Form, TJTC staff will first check the status of the voucher. If it has not been invalidated, TJTC staff will complete the Employee Certification Form, within 72 hours from receipt of the Employer Declaration, and send one copy to the employer, one copy to the participating agency and retain one copy.

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* With the exception of CETA prime sponsors, it is expected that the procedures used by participating agencies to determine the eligibility of participants in their programs (e.g., Voc. Ed. and Voc. Rehab.) will be the basis upon which TJTC eligibility is made.

(c) Referrals

Each local agency may utilize its referral arrangements to place individuals under the TJTC program. This means that local participating agencies which have arrangements with employers and/or conduct job development for their clients will use TJTC as an additional tool for placements. However, since the SESA will be receiving TJTC job orders, an effort should be made to make unfilled job orders accessible to all participating agencies within a reasonable period of time, and to manage the flow of applicants and employer contacts so as not to inundate employers; local agencies are encouraged to make provision in their local cooperative agreement for a system that addressed the orderly management of TJTC job orders and applicant referrals. A system so designed would maximize placements and promote cooperation of employers in the TJTC program.

9. Recordkeeping and Reporting

In each State agency there will be a central repository for all TJTC forms. Initially, all reports regarding vouchers, certifications, placements and applicant characteristics will be recorded manually from these forms. However, because we want these data to ultimately be reflected in ESARS, the forms will be designed so that they can be keypunched. The manual report form will be distributed and discussed at the regional sessions.

10. Publicity

The publicity package for TJTC will be developed by ETA and disseminated to the State and local level. Governors and local elected officials, as prime sponsors, will have the primary responsibility for promoting the program, supported by the PICs, JSIP employer committees, and other labor market intermediaries, through their existing media outlets. In publicizing the program, the PICs/JSIPs would relate to employers the relative merits of the various components of the Private Sector Initiatives Program. The publicity package will include information on TJTC, WIN and Welfare Tax Credits, as well as OJT.

11. Inquiries. Questions of a general nature regarding TJTC must be directed to the following Task Force members:

Region	TJTC Task Force Member	
I, II	Wareteen Smith	8-376-6680
III, IV	Phyllis Maffett	8-376-6680
V, VI	John Raker	8-376-6690
VII, VIII	Richard Fogarty	8-376-6681
IX, X	Ginger Weight	8-376-7104

Policy issues regarding the TJTC may be directed to the Task Force using the attached format. The address is:

Mr. Charles I. Carter
Director
TJTC Task Force
601 D Street, N. W.
Room 800, Patrick Henry Building
Washington, D. C. 20213

12. Action Required. Regional Administrators should initiate immediate contact with:

(a) Governors - to review and emphasize their role under TJTC

(b) SESA Administrators - execute the agreement with DOL; make arrangements for printing TJTC forms, and to begin working on arrangements with participating agencies

(c) Prime Sponsors - to assure that they are aware of TJTC implementation plans and will work with the SESA to develop cooperative agreements

13. Attachments.
1. DOL/SESA Agreement
2. Sample Voucher Form
3. Sample Applicant Characteristics Form
4. Sample Employee Certification Form
5. TJTC Issue Identification Form

Letter from Washington State Employment Security Commissioner to Dept. of Labor objecting to TJTC responsibilities, see note 21.

STATE OF
WASHINGTON

Dixy Lee Ray
Governor

EMPLOYMENT SECURITY DEPARTMENT
212 Maple Park, Olympia, Washington 98504 206 753 5114

Eugene Wiegman,
Commissioner

February 5, 1979

Mr. Jess C. Ramaker
Regional Administrator
Employment and Training Administration
NW Region, U.S. Department of Labor
1145 Federal Office Building
909 First Avenue
Seattle, Washington 98174

Dear Mr. Ramaker:

This is in response to a recent memorandum addressed to SESA Administrators, Region X, and various other communications from the Department of Labor concerning the Targeted Jobs Tax Credit program (TJTC).

I first want to express my interest and support in the concept of this program. I feel that it is a responsive incentive that may interest private businesses. It is the kind of incentive that I have publicly espoused for several years. Thus, it is with some regret that I cannot at this time execute the requested agreement to administer the program in the State of Washington.

There are a number of reasons for my decision. First, the process worked out by the Department of Labor to implement the program is unduly complex and complicated. It places the Employment Security agencies in a role which can only lead to multiplying the red tape and extending the time necessary to process people through the program.

Secondly, the Department of Labor seems bent on implementing the program with such unseemly haste that major questions concerning funding sources, regulations, and the role of the Internal Revenue Service are unanswered.

I have discussed this with Governor Ray, who agrees with me that a good program is worth doing well, and that we should give such programs the time they need to be organized and effective. We can no longer use the economy as an excuse to implement programs on a crash basis. It is our feeling that this program needs at least two months to answer basic questions and have a basic organization put in place.

Mr. Jess C. Ramaker
February 5, 1979

Page Two

I would consider negotiating and signing an agreement for our participation when I am assured of timely total funding for the costs of the project, a reasonable timetable, and resolution of the issues in the draft agreement outlined below.

1. Section VIII imposes record maintenance requirements on the agency, but does not provide adequate definition.
2. Section IX requires the agency to furnish reports and information to the Secretary without providing a definition of the magnitude of such reporting requirements.
3. Section XI allocates funds to the agency in accordance with the TJTC line item budget and TJTC instructions and regulations, but provides no definition of the type of requirements these instructions and regulations may impose on the agency.

Again, the concept of the Targeted Jobs Tax Credit program can be of benefit to eligible citizens of Washington State. I look forward to the development of a mutually satisfactory agreement to facilitate its successful implementation.

Sincerely,

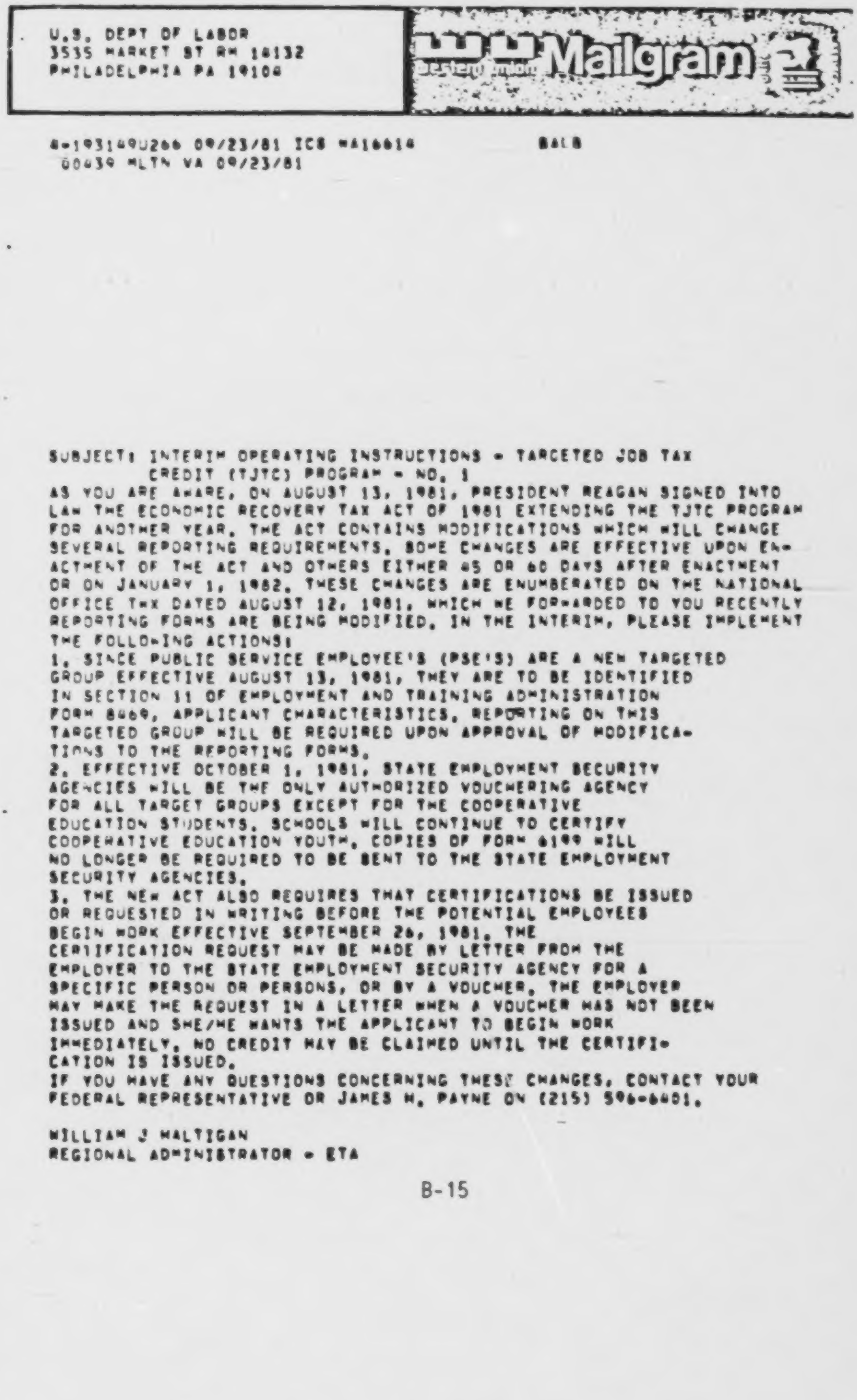
Eugene Wiegman

EUGENE WIEGMAN
Commissioner

EW:bjr

cc: Governor Dixy Lee Ray
Congressional Delegation
SESA Administrators
CETA Prime Sponsors
ICESA

Mailgram from Dept. of Labor to states summarizing interim operating procedures to implement Economic Recovery Tax Act changes in TJTC in 1981; this mailgram announced removal of vouchering authority from CETA programs, see note 18.



U.S. DEPT OF LABOR
3535 MARKET ST RM 14132
PHILADELPHIA PA 19104

Mailgram

4-193149U266 09/23/81 ICS MA16614 BALB
00439 MLTN VA 09/23/81

SUBJECT: INTERIM OPERATING INSTRUCTIONS - TARGETED JOB TAX CREDIT (TJTC) PROGRAM - NO. 1

AS YOU ARE AWARE, ON AUGUST 13, 1981, PRESIDENT REAGAN SIGNED INTO LAW THE ECONOMIC RECOVERY TAX ACT OF 1981 EXTENDING THE TJTC PROGRAM FOR ANOTHER YEAR. THE ACT CONTAINS MODIFICATIONS WHICH WILL CHANGE SEVERAL REPORTING REQUIREMENTS. SOME CHANGES ARE EFFECTIVE UPON ENACTMENT OF THE ACT AND OTHERS EITHER 45 OR 60 DAYS AFTER ENACTMENT OR ON JANUARY 1, 1982. THESE CHANGES ARE ENUMBERATED ON THE NATIONAL OFFICE TWX DATED AUGUST 12, 1981, WHICH WE FORWARDED TO YOU RECENTLY REPORTING FORMS ARE BEING MODIFIED. IN THE INTERIM, PLEASE IMPLEMENT THE FOLLOWING ACTIONS:

1. SINCE PUBLIC SERVICE EMPLOYEE'S (PSE'S) ARE A NEW TARGETED GROUP EFFECTIVE AUGUST 13, 1981, THEY ARE TO BE IDENTIFIED IN SECTION 11 OF EMPLOYMENT AND TRAINING ADMINISTRATION FORM 8469, APPLICANT CHARACTERISTICS. REPORTING ON THIS TARGETED GROUP WILL BE REQUIRED UPON APPROVAL OF MODIFICATIONS TO THE REPORTING FORMS.

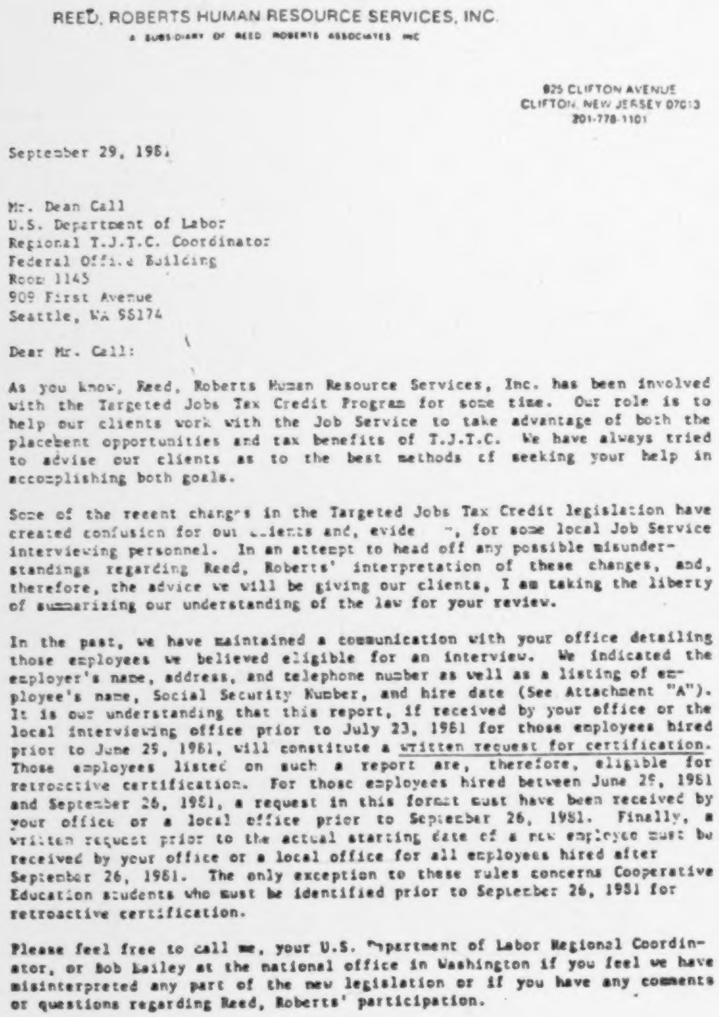
2. EFFECTIVE OCTOBER 1, 1981, STATE EMPLOYMENT SECURITY AGENCIES WILL BE THE ONLY AUTHORIZED VOUCHERING AGENCY FOR ALL TARGET GROUPS EXCEPT FOR THE COOPERATIVE EDUCATION STUDENTS. SCHOOLS WILL CONTINUE TO CERTIFY COOPERATIVE EDUCATION YOUTH. COPIES OF FORM 6199 WILL NO LONGER BE REQUIRED TO BE SENT TO THE STATE EMPLOYMENT SECURITY AGENCIES.

3. THE NEW ACT ALSO REQUIRES THAT CERTIFICATIONS BE ISSUED OR REQUESTED IN WRITING BEFORE THE POTENTIAL EMPLOYEES BEGIN WORK EFFECTIVE SEPTEMBER 26, 1981. THE CERTIFICATION REQUEST MAY BE MADE BY LETTER FROM THE EMPLOYER TO THE STATE EMPLOYMENT SECURITY AGENCY FOR A SPECIFIC PERSON OR PERSONS, OR BY A VOUCHER. THE EMPLOYER MAY MAKE THE REQUEST IN A LETTER WHEN A VOUCHER HAS NOT BEEN ISSUED AND SHE/HE WANTS THE APPLICANT TO BEGIN WORK IMMEDIATELY. NO CREDIT MAY BE CLAIMED UNTIL THE CERTIFICATION IS ISSUED.

IF YOU HAVE ANY QUESTIONS CONCERNING THESE CHANGES, CONTACT YOUR FEDERAL REPRESENTATIVE OR JAMES H. PAYNE ON (215) 596-6401.

WILLIAM J HALTIGAN
REGIONAL ADMINISTRATOR - ETA

Letter from Reed Roberts, one of the major TJTC consulting firms, to Dept. of Labor, expressing confidence that ERTA had not changed role under program, see note 11.



REED, ROBERTS HUMAN RESOURCE SERVICES, INC.
A SUBSIDIARY OF REED ROBERTS ASSOCIATES INC

825 CLIFTON AVENUE
CLIFTON, NEW JERSEY 07013
201-778-1101

September 29, 1981

Mr. Dean Call
U.S. Department of Labor
Regional T.J.T.C. Coordinator
Federal Office Building
Room 1145
909 First Avenue
Seattle, WA 98174

Dear Mr. Call:

As you know, Reed, Roberts Human Resource Services, Inc. has been involved with the Targeted Jobs Tax Credit Program for some time. Our role is to help our clients work with the Job Service to take advantage of both the placement opportunities and tax benefits of T.J.T.C. We have always tried to advise our clients as to the best methods of seeking your help in accomplishing both goals.

Some of the recent changes in the Targeted Jobs Tax Credit legislation have created confusion for our clients and, evidently, for some local Job Service interviewing personnel. In an attempt to head off any possible misunderstandings regarding Reed, Roberts' interpretation of these changes, and, therefore, the advice we will be giving our clients, I am taking the liberty of summarizing our understanding of the law for your review.

In the past, we have maintained a communication with your office detailing those employees we believed eligible for an interview. We indicated the employer's name, address, and telephone number as well as a listing of employee's name, Social Security Number, and hire date (See Attachment "A"). It is our understanding that this report, if received by your office or the local interviewing office prior to July 23, 1981 for those employees hired prior to June 25, 1981, will constitute a written request for certification. Those employees listed on such a report are, therefore, eligible for retroactive certification. For those employees hired between June 29, 1981 and September 26, 1981, a request in this format must have been received by your office or a local office prior to September 26, 1981. Finally, a written request prior to the actual starting date of a new employee must be received by your office or a local office for all employees hired after September 26, 1981. The only exception to these rules concerns Cooperative Education students who must be identified prior to September 26, 1981 for retroactive certification.

Please feel free to call me, your U.S. Department of Labor Regional Coordinator, or Bob Bailey at the national office in Washington if you feel we have misinterpreted any part of the new legislation or if you have any comments or questions regarding Reed, Roberts' participation.

We look forward to our continued association with you and the Employment Services; together, we can make the Targeted Jobs Tax Credit Program a success.

On behalf of Reed, Roberts and all of our participating clients, thank you for your help and commitment to the Targeted Jobs Tax Credit Program.

Sincerely,

REED, ROBERTS HUMAN RESOURCE SERVICES, INC.

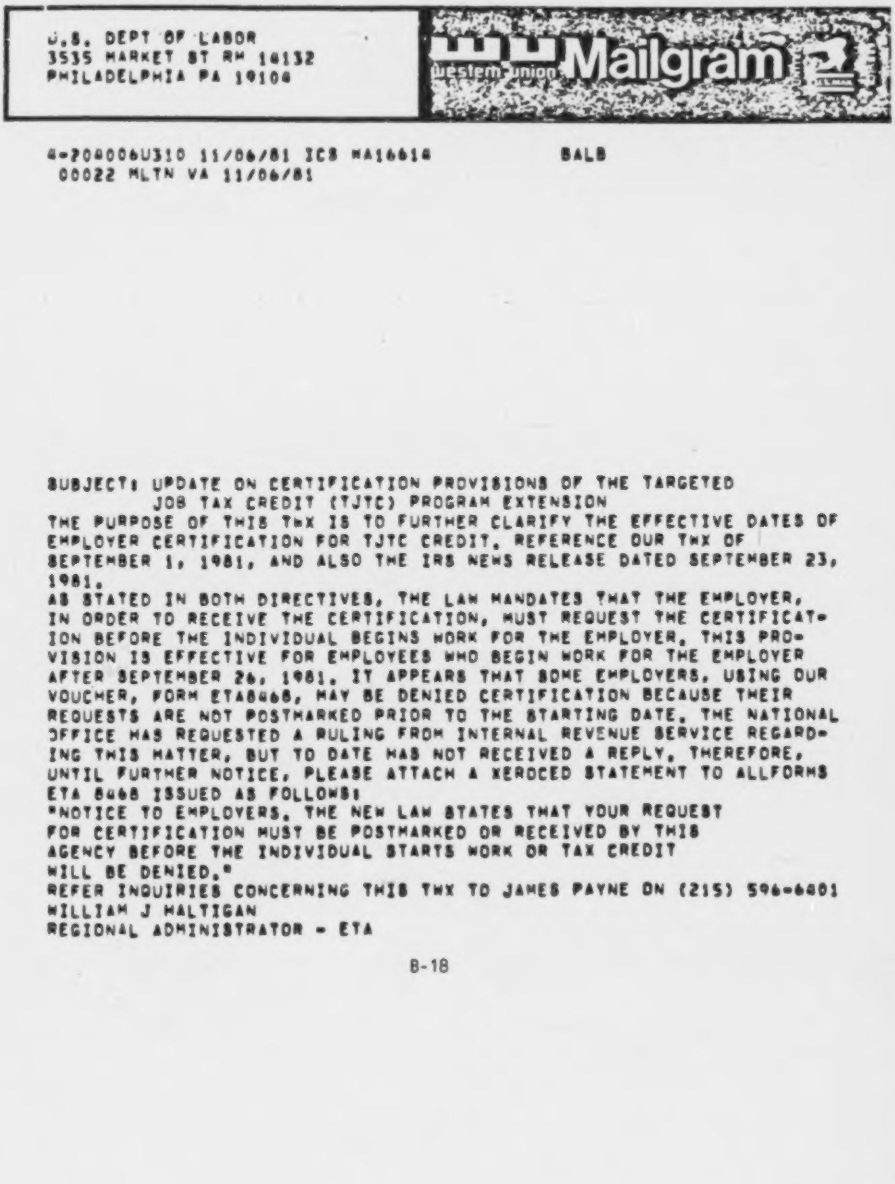
Edward J Kelly em

Edward J. Kelly
Vice President of Program Development

EJK:em

cc: Robert Bailey
Chuck Carter

Mailgram from Dept. of Labor to state employment security agencies alerting states to the negative impact upon vouchering of Economic Recovery Tax Act, see note 13.



western union Mailgram

U.S. DEPT OF LABOR
3535 MARKET ST RM 14132
PHILADELPHIA PA 19104

4-204006U310 11/06/81 ICS WA16614 BALB
00022 MLTN VA 11/06/81

SUBJECT: UPDATE ON CERTIFICATION PROVISIONS OF THE TARGETED JOB TAX CREDIT (TJTC) PROGRAM EXTENSION

THE PURPOSE OF THIS TWX IS TO FURTHER CLARIFY THE EFFECTIVE DATES OF EMPLOYER CERTIFICATION FOR TJTC CREDIT. REFERENCE OUR TWX OF SEPTEMBER 1, 1981, AND ALSO THE IRS NEWS RELEASE DATED SEPTEMBER 23, 1981.

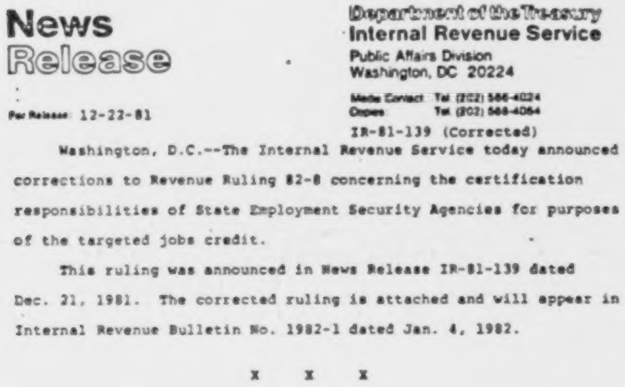
AS STATED IN BOTH DIRECTIVES, THE LAW MANDATES THAT THE EMPLOYER, IN ORDER TO RECEIVE THE CERTIFICATION, MUST REQUEST THE CERTIFICATION BEFORE THE INDIVIDUAL BEGINS WORK FOR THE EMPLOYER, THIS PROVISION IS EFFECTIVE FOR EMPLOYEES WHO BEGIN WORK FOR THE EMPLOYER AFTER SEPTEMBER 26, 1981. IT APPEARS THAT SOME EMPLOYERS, USING OUR VOUCHER, FORM ETA8468, MAY BE DENIED CERTIFICATION BECAUSE THEIR REQUESTS ARE NOT POSTMARKED PRIOR TO THE STARTING DATE. THE NATIONAL OFFICE HAS REQUESTED A RULING FROM INTERNAL REVENUE SERVICE REGARDING THIS MATTER, BUT TO DATE HAS NOT RECEIVED A REPLY, THEREFORE, UNTIL FURTHER NOTICE, PLEASE ATTACH A XEROCED STATEMENT TO ALLFORMS ETA 8468 ISSUED AS FOLLOWS:

"NOTICE TO EMPLOYERS. THE NEW LAW STATES THAT YOUR REQUEST
FOR CERTIFICATION MUST BE POSTMARKED OR RECEIVED BY THIS
AGENCY BEFORE THE INDIVIDUAL STARTS WORK OR TAX CREDIT
WILL BE DENIED."

REFER INQUIRIES CONCERNING THIS TWX TO JAMES PAYNE ON (215) 596-6401

WILLIAM J HALTIGAN
REGIONAL ADMINISTRATOR - ETA

Internal Revenue Service News Release announcing ruling granting vouchering authority to agencies other than employment security (see p. 3 of attached ruling), see note 19.



News Release

Department of the Treasury
Internal Revenue Service
Public Affairs Division
Washington, DC 20224

Media Contact Tel (202) 566-4024
Copies Tel (202) 566-4054

For Release 12-22-81

IR-81-139 (Corrected)

Washington, D.C.--The Internal Revenue Service today announced corrections to Revenue Ruling 82-8 concerning the certification responsibilities of State Employment Security Agencies for purposes of the targeted jobs credit.

This ruling was announced in News Release IR-81-139 dated Dec. 21, 1981. The corrected ruling is attached and will appear in Internal Revenue Bulletin No. 1982-1 dated Jan. 4, 1982.

x x x

Part I

Section 51.--Amount of Credit
(Also Section 44B.)

Rev. Rul. 82-8

ISSUE

For purposes of the targeted jobs credit, may a state employment security agency (SESA) delegate its certification duties and responsibilities?

FACTS

A SESA, which is the "designated local agency" for purposes of the targeted jobs credit, encountered budgetary problems and as a result was forced to severely reduce its workforce. Consequently, it desires to delegate its certification responsibilities to other agencies and organizations. These proposed delegated responsibilities include the authority to certify that an individual is a qualified member of a targeted group and in the case of a "youth participating in a cooperative education program," the authority to determine whether the student is a member of an economically disadvantaged family.

LAW AND ANALYSIS

Section 51(d)(1) of the Code lists nine targeted groups whose members have difficulty finding employment. If an employer hires an individual who is certified as a member of one of these groups, the employer may elect to claim the targeted jobs credit under section 44B on the wages paid or incurred to that employee. For eight of the targeted groups, an individual can qualify as a member of a targeted group only if that individual is certified by a designated local agency as meeting specified requirements for that group. The only exception is provided by section 51 (d)(8), which specifies that for purposes of certifying an individual as a youth participating in a qualified cooperative education program (cooperative education student), the certification is done by the school participating in the program.

(MORE)

Four of the targeted groups have the requirement that the individual must be a member of an economically disadvantaged family. Section 51(d)(11) of the Code sets out the criteria for this determination and provides that the determination is to be made by a designated local agency.

Prior to the Economic Recovery Tax Act of 1981 (ERTA), 1981-37 I.R.B. 7, section 51(d)(12) of the Code gave the Secretary of Labor and the Secretary of the Treasury joint authority to designate the agency to perform certifications of employees in a particular locality. The ERTA redesignated section 51(d)(12) as section 51(d)(14), 1981-37 I.R.B. at 53, and amended that section to provide that the term "designated local agency" means a SESA established in accordance with the Act of June 6, 1933, as amended (29 U.S.C. sections 49-49n (1976)). 1981-37 I.R.B. at 54.

Congress indicated that it was designating the SESA in each state as the agency responsible for administering the certification process, in order to alter "[t]he diffusion of responsibility among several agencies in the past few years [that] has limited employer participation." H. R. Rep. No. 97-201, 97th Cong., 1st Sess. 279, 1981-38 I.R.B. 49, 105.

Section 51(d)(14) of the Code states specifically that the designated local agency is the SESA. Therefore, the statute allows only the SESA to be the certifying agency for purposes of the targeted jobs credit with respect to all targeted groups other than cooperative education students. The legislative history shows that it was the intent of Congress that the SESA in each state would be responsible for administering the certification process. There is no authority in the statute, nor support in the legislative history, that permits a SESA to delegate its targeted jobs credit responsibilities to make the final certification to other agencies or organizations.

The targeted jobs credit may be claimed on wages paid to a properly certified individual. For individuals (other than cooperative education students), the certification must be issued by the SESA in order to be valid. If an employer receives a certification from an agency not authorized by the statute to make certifications, the certification is invalid and the employer may not elect a targeted jobs credit on wages paid to that individual.

(MORE)

Although the statute precludes a SESA from delegating its certification authority to other agencies or organizations, there is nothing that prohibits a SESA from soliciting advice and assistance from other agencies and organizations. As an example of such assistance, some SESAs have entered into written agreements with other agencies and organizations in which the other agencies and organizations make the preliminary determination of eligibility (vouchering). The preliminary eligibility determination is not a certification. H. R. Rep. No. 97-201, at page 281, states "The committee intends that other agencies involved in providing information for certification, such as the Social Security Administration (for SSI recipients) and the Veterans' Administration (for handicapped and Vietnam-era veterans), will fully cooperate with the State employment security agencies requests for assistance in administering the certification process."

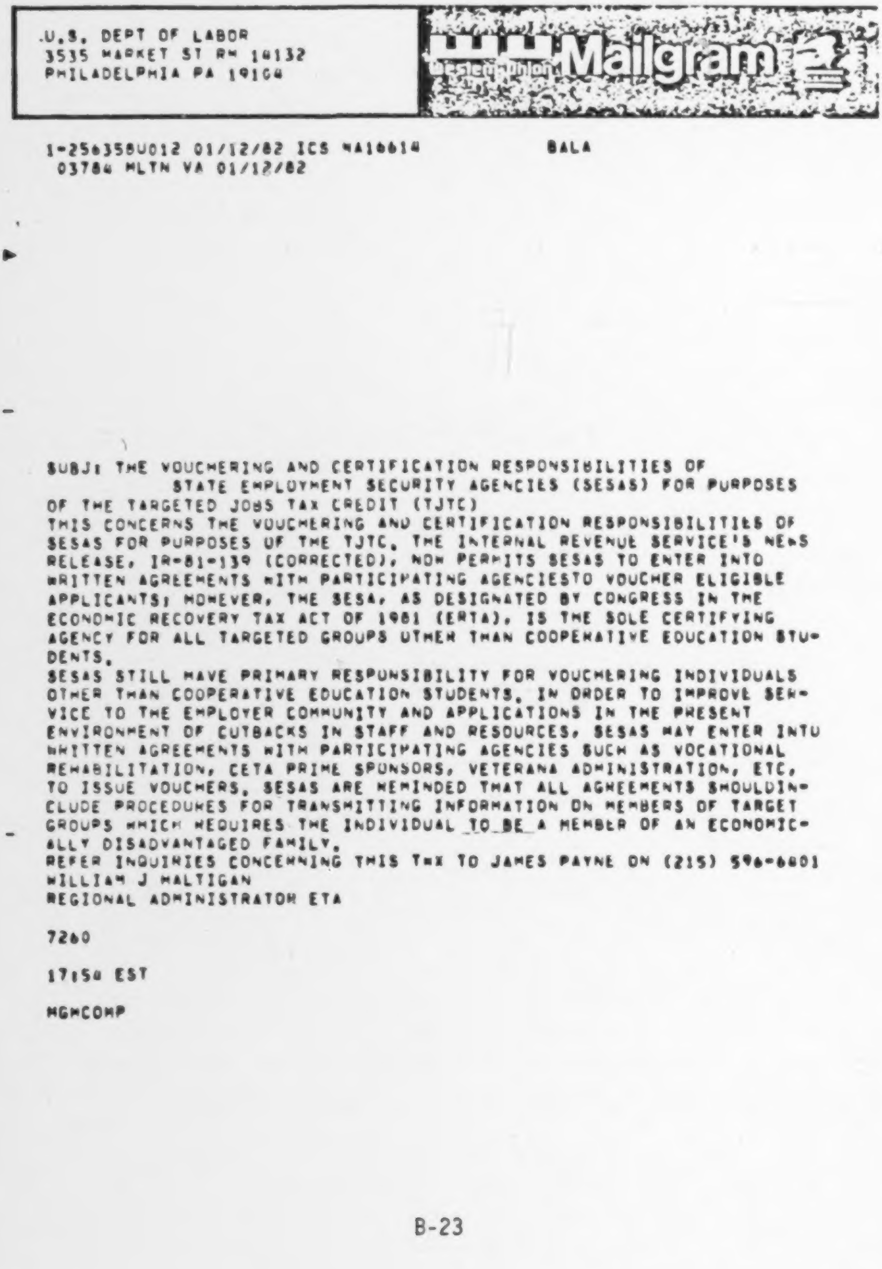
With respect to a cooperative education student, the school participating in the program makes the certification. However, the determination whether the student is a member of an economically disadvantaged family is made by the SESA. The school may assist the SESA in this determination, but the school cannot make the final determination for the SESA.

HOLDING

A SESA may not delegate its certification duties and responsibilities under the targeted jobs credit to other agencies or organizations. However, a SESA may use the expertise of other agencies and organizations to provide the information necessary to assist it in performing its certification duties and responsibilities.

X X X

Mailgram from Dept. of Labor to state employment security agencies informing them of Internal Revenue Service ruling granting other agencies the authority to voucher, see note 19.



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SUBJ: THE VOUCHERING AND CERTIFICATION RESPONSIBILITIES OF STATE EMPLOYMENT SECURITY AGENCIES (SESAS) FOR PURPOSES OF THE TARGETED JOBS TAX CREDIT (TJTC)

THIS CONCERNS THE VOUCHERING AND CERTIFICATION RESPONSIBILITIES OF SESAS FOR PURPOSES OF THE TJTC. THE INTERNAL REVENUE SERVICE'S NEWS RELEASE, IR-81-139 (CORRECTED), NOW PERMITS SESAS TO ENTER INTO WRITTEN AGREEMENTS WITH PARTICIPATING AGENCIESTO VOUCHER ELIGIBLE APPLICANTS; HOWEVER, THE SESA, AS DESIGNATED BY CONGRESS IN THE ECONOMIC RECOVERY TAX ACT OF 1981 (ERTA), IS THE SOLE CERTIFYING AGENCY FOR ALL TARGETED GROUPS OTHER THAN COOPERATIVE EDUCATION STUDENTS.

SESAS STILL HAVE PRIMARY RESPONSIBILITY FOR VOUCHERING INDIVIDUALS OTHER THAN COOPERATIVE EDUCATION STUDENTS. IN ORDER TO IMPROVE SERVICE TO THE EMPLOYER COMMUNITY AND APPLICATIONS IN THE PRESENT ENVIRONMENT OF CUTBACKS IN STAFF AND RESOURCES, SESAS MAY ENTER INTO WRITTEN AGREEMENTS WITH PARTICIPATING AGENCIES SUCH AS VOCATIONAL REHABILITATION, CETA PRIME SPONSORS, VETERANA ADMINISTRATION, ETC, TO ISSUE VOUCHERS. SESAS ARE REMINDED THAT ALL AGREEMENTS SHOULDINCLUDE PROCEDURES FOR TRANSMITTING INFORMATION ON MEMBERS OF TARGET GROUPS WHICH REQUIRES THE INDIVIDUAL TO BE A MEMBER OF AN ECONOMICALLY DISADVANTAGED FAMILY.

REFER INQUIRIES CONCERNING THIS TWX TO JAMES PAYNE ON (215) 596-6001
WILLIAM J HALTIGAN
REGIONAL ADMINISTRATOR ETA

7260

17:54 EST

MGMCOMP

Chairman RANGEL. Thank you for a job well done.

Mr. Grabowski.

STATEMENT OF DONALD GRABOWSKI, DIRECTOR, EMPLOYER RELATIONS, ON BEHALF OF LILLIAN ROBERTS, COMMISSIONER, NEW YORK STATE DEPARTMENT OF LABOR

Mr. GRABOWSKI. Thank you Mr. Chairman.

My name is Donald Grabowski, and I am director of employer relations for the New York State Department of Labor. I am appearing here today for Commissioner Lillian Roberts. We are very grateful for the opportunity to be with you.

I believe you have our prepared statement.

Chairman RANGEL. Yes, we do.

Mr. GRABOWSKI. So my remarks will be brief. What I am here to do is to affirm that we in New York State know, and our experience tells us that the Targeted Jobs Tax Credit Program really works. It provides employers with a worthwhile incentive to seriously consider hiring targeted group people who need that opportunity, and it helps disadvantaged youth and other targeted group members to get jobs on private payrolls.

Our consistent experience has been in that area. I think the numbers and percentages of activity that are reflected in our prepared testimony rather clearly bear that out. This is a program that has really worked in New York because we have worked at making it work, believing it to be a fine tool to help the thousands of people we see who regularly need some kind of assistance in order to find a job, get on a private payroll, and have an opportunity to improve themselves.

This has been an excellent tool in that area for us, Mr. Chairman. And we find it to be a program that certainly should be extended, as suggested by your bill and the support of other Congressmen.

Now, our prepared testimony contains a number of anecdotal examples of jobs created by TJTC. We have consistently found that, where people are given the opportunity, because of the incentive of the tax credit to get on a private payroll, they might not have otherwise been seriously considered by the employers.

Through our job service we see hundreds of thousands of individuals every year who need help. So we have a little bit of experience in this area about whether or not TJTC helps an individual. And I am here to tell you—and I think our record speaks for itself—that it certainly does.

We have data in our testimony on a wide range of industry participation. One of the most satisfying things to us in New York has been the substantial participation of small firms. That happens because we work at it. It's a promotional activity that needs to be worked on constantly.

We have over 400,000 employers in New York State, so the universe of potential here is very large. Not all of those are potentially TJTC employers, as previous witnesses have testified. Nevertheless, there is a huge opportunity there. Many of these are small firms which need to feel comfortable with what it is they're doing.

And in many instances, TJTC provides that kind of opportunity for an employer to work with us or with one of the participating agencies in the vocational rehabilitation area, for example. Some of the agencies that are working with ex-felons, feel as though they have an opportunity to provide an opportunity for someone who really wants to work. That has been our consistent experience. We have a wide range of industry participation.

Despite changing employment patterns in New York State and nationally, it is interesting to note that over 25 percent of our certifications are in the manufacturing industry. We are using standard industry classifications to provide that data, in case anyone is interested in why that range is as it is.

So, frankly, Mr. Chairman, TJTC has been accepted by New York State employers. We have had a great deal of success with it. Over 150,000 disadvantaged individuals have gone on private payrolls as a result of this program We certainly urge the extension of this program. And we believe that your bill, which would also increase the wage base to $10,000, would, as some previous commentators have indicated, provide the opportunity for additional retention under the Act.

That concludes my statement.

[The prepared statement follows:]

STATEMENT OF DONALD GRABOWSKI, DIRECTOR, EMPLOYEE RELATIONS, ON BEHALF OF LILLIAN ROBERTS, COMMISSIONER, NEW YORK STATE DEPARTMENT OF LABOR

INTRODUCTION

The TJTC program has been very effective in New York State.

This presentation addresses:

1. Extension of TJTC.
2. Amount of Wages for which Credit is Allowable.
3. Provision for program administration.
4. Timeliness requirements for certifications.

EXTENSION OF TJTC

The New York State Department of Labor is convinced that TJTC is very effective incentive for assisting the disadvantaged to get jobs. While we recognize the concern of others about revenue loss and alternative ways to use resources, we have found that TJTC works! It prompts employers who have jobs to consider disadvantaged TJTC eligible for employment, and it creates opportunities for target group members, many of whom have never had a similar change.

The recent experience of one small manufacturer of hydraulic cylinders in Western New York can illustrate this point. Until the fall of last year, the company had hired no TJTC candidates. But in October they decided to take a chance and hired one candidate whose salary after one month was increased to $6 per hour because they recognized what a good worker he was.

The company has since received a large production contract requiring a significant increase in their work force Because of their favorable experience with that one individual, and their new awareness of the program, the company has focused its recruitment on hiring TJTC eligible, handicapped individuals with a starting pay of $4.50 per hour. Fourteen of their current 31 employees were hired through the program. TJTC works!

Last year, New York led the nation in using TJTC to place disadvantaged job seekers.

During Fiscal year 1984, 160,096 individuals were issued TJTC vouchers, having met the eligibility criteria in the following targeted groups:

Disadvantaged youth	64,210
Disadvantaged Viet vets	7,550
Disadvantaged ex-felons	4,372
Handicapped	5,956

Co-op educ. students	51
Supplemental security benefits	366
Summer youth (age 16 and 17)	6,223
Public assistance recipients	71,365

Employers hired 45,387 of these eligible target group members, a 50% increase over TJTC hires in Fiscal Year 1983. Eighty-eight percent of those hired were from the disadvantaged youth and public assistance target groups!

This record-setting pace continue into 1985. For the first five months of FY 1985, 61,507 individuals have been vouchered and 21,317 have been hired. The participation percentages remain consistent—over 90% of those vouchered were disadvantaged youth or welfare recipients and 88% of those hired came from those target groups.

Clearly, TJTC has had a substantial impact on our ability to assist the disadvantaged to find employment. Since the inception of the program through February 1985, the TJTC program has resulted in 150,415 jobs for disadvantage New Yorkers.

TJTC also in an effective tool for creating new jobs for the disadvantaged. During 1984, we informally surveyed participating New York firms on this point. Examples of typical responses are:

A New York City Insurance company which normally reserved all summer jobs for children of employees agreed to hire 15 TJTC summer youth.

A New York City Plastics manufacturer has hired 1,386 TJTC eligibles since the program began. This firm opened a new building and added a second shift, hiring additional TJTC eligibles because of savings earned through previous TJTC hires.

A New York City Garment Manufacturer has hired 82 TJTC eligible workers and trained them to use modern computerized equipment in the industry.

A University in New York City was able to place 348 TJTC eligible students who needed jobs to continue school.

A small Southern Tier manufacturer told us he hired three more new workers because of TJTC, and a nearby Greenhouse operator agreed to hire two additional summer youth because of the program.

A small Tool and Die firm owner reported he used the money saved through TJTC to buy new equipment and hire three new emplopyees to operate it.

An international hotel corporation advised that TJTC opened jobs in their firm to applicants who were not previously considered for employment.

The Personnel Director of an Upstate manufacturer found that 65% of the TJTC eligible applicants hired remained for at least two years with the firm.

The Personnel Director of a multi-state retailer hired 1,300 TJTC eligibles in a 12 State Area during 1984.

A Western New York high tech firm has hired 43 TJTC eligibles who are performing precision work at above-standard levels.

These few examples confirm that the TJTC Program has wide applicability throughout New York State's industries. Twenty-five percent of TJTC hires are in manufacturing firms, including a number of high technology companies. For FY 1984, the distribution of certifications and firms was as follows:

Industry	No. of firms	No. of certifications
Agriculture, forestry, fishing	162	383
Mining, construction	586	1,048
Manufacturing	1,884	9,693
Transportation, communications	210	898
Wholesale and retail	2,648	21,099
Finance, insurance	266	1,507
Services	1,493	8,555

Furthermore, the majority of participating firms in FY 1984 were small employers, as illustrated below:

No. of employees	No. of firms	No. of certifications
1 to 5	1,298	2,180
6 to 10	1,034	1,605

No. of employees	No. of firms	No. of certifications
11 to 50	2,576	6,809
51 to 100	778	3,799
101 to 300	780	5,826
301 to 500	207	2,369
501 to over	444	20,006

New York State strongly supports an extension of TJTC and recommends that the extension should be for five years, as proposed in H.R. 983 by Congressman Rangel.

AMOUNT OF WAGES FOR WHICH CREDIT IS ALLOWABLE

The TJTC program was intended to foster employer retention of eligible employees as well as to encourage their initial hire. We support the amendment proposed in H.R. 983 to increase the maximum wages for which credit is allowed to $10,000. Such a change will improve the performance of the program in promoting long term employment of TJTC eligibles and increase the number of success stories that can be reported.

Several studies, and most notably the recent study conducted by Edward C. Lorenz for the National Commission for Employment Policy,[1] have concluded that retention success has been most evident for those TJTC eligibles employed in positions paying significantly more than the minimum wage. However, the majority of TJTC eligibles in New York during FY 85 have been hired at wages rates as listed below:

Wages	*Certifications*
$3.30 to 3.99	15,619
4.00 to 4.99	3,104
5.00 to 5.99	1,111
6.00 and over	1,158

We believe that increasing the wage base, which has been unchanged since the inception of the program in 1978, will generate increased participation in the program by employers who offer higher initial hiring rates and can provide the more desirable long-term, career employment opportunities. The higher wage base will make the tax advantages of considering JTTC eligibles more attractive to these employers, but will not change the incentive for other participating firms.

PROVISION PROGRAM ADMINISTRATION

Last year Congress recognized that administrative funding levels for TJTC were grossly inadequate, and increased the appropriation for this purpose by $7.5 million. We deeply appreciate that increase. Unfortunately, New York's share of these funds covers only our central administration costs. The costs of eligibility determinations and vouchering at the local office level continue to be borne by Wagner-Peyser funds, which are being reduced.

We have in place an administrative system which substantially reduces paper work for employers. In order to make it easy for employers to participate, however, our own staff must be involved, both centrally and in the field, to a far greater degree than is reflected in the funds available for this purpose.

Inherent in the New York State approach is the issuance of vouchers to a large pool of individuals who meet eligibility requirements and who seek employment on their own initiative. The TJTC voucher enhances the ability of the disadvantaged applicant to compete for available jobs. As a result, the number of vouchers issued exceeds the number of certifications.

We believe this approach is an essential element of the program, and sufficient funds are needed to keep pace with the work load that generates our increased number of certifications, (from 18,000 in FY 1982 to 45,387 in FY 1984). The continued attention of this Committee to this problem is necessary, lest a proven program to help the disadvantaged fails to provide assistance due to lack of staff.

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[1] "The Impact of the Targeted Jobs Tax Credit Upon Earnings and Work Histories," February 1985.

TIMELINESS REQUIREMENT FOR CERTIFICATION

We also wish to express our appreciation for Congress' decision last year to address the timeliness issue. Because employers are now allowed up to five days to submit their request for certification of TJTC eligibles vouchered prior to the hiring date, our rejections based on the timeliness technicality have decreased by about 70%. This has not only improved our ability to respond positively to employers' requests, but also contributed to improving employer's participation in the program and fostered an improved relationship with employers.

SUMMARY

We therefore conclude that:

1. TJTC works and should be extended for 5 years;
2. The credit formula should be modified by increasing the first year maximum wage base to $10,000 to more effectively foster long-term employment;
3. Additional administrative funds are needed to keep pace with the increasing work loads; and
4. The timeliness requirements which were modified last year have contributed in improving employer participation in the program.

Chairman **Rangel**. Thank you. Give my best regards to Commissioner Roberts.

The effectiveness of the New York State Outreach Program that your department is involved in has really made us proud of the work that you've been doing.

Mr. **Grabowski**. Thank you, sir.

Chairman **Rangel**. Ms. Jones from the District of Columbia.

STATEMENT OF CAROLYN G. JONES, ASSOCIATE DIRECTOR, OFFICE OF JOB SERVICE, DISTRICT OF COLUMBIA DEPARTMENT OF EMPLOYMENT SERVICES

Ms. **Jones**. Thank you, Mr. Chairman and members of the committee.

I am pleased to have the opportunity to represent the District of Columbia Public Employment Service, Department of Employment Services, the Metropolitan and District of Columbia employers who have hired persons from the target groups and more than 7,000 job seekers in the District of Columbia who have been able to become gainfully employed as a direct result of the targeted jobs tax credit.

Again, we have submitted a written statement that should be included in the record. And in the interest of time, I would merely summarize our statement.

Our experience in the District of Columbia has been similar to that in New York. We do know for a fact that a number of persons who would not have had the opportunity prior to the TJTC Program are now gainfully employed. In the District of Columbia where the highest demand is for skilled and professional workers, we have another group of applicant clientele who have marginal skills, yet they have the potential to be gainfully employed.

It has been through the Targeted Jobs Tax Credit Program that we have been able to place these persons into unsubsidized jobs. The Targeted Jobs Tax Credit Program does provide an additional incentive that employers can use to defray the cost that they may incur during the period that the employee is least productive. It gives that employee the chance to develop those skills, knowledges, and abilities that are needed for the job.

Most importantly, we have found the TJTC Program to be an entree to the private sector, to develop a public-private partnership in addressing the needs of the unemployment. A very good example of that is our relationship with the Marriott Corp.

The Marriott Corp. has used the TJTC Program since its inception. Based on their ongoing utilizaton of the program, we were able to screen, recruit, refer, and eventually place close to 500 job seekers at the new J.W. Marriott hotel at National Place.

Additionally, we were able to tie other programs in such as our locally funded on-the-job training programs, the Emergency Veterans Job Training Act, and present to the employer a composite package allowing all the applicants an opportunity to apply. As a result of our successful effort with the Marriott Corp., we have had other major hotels and businesses in the District request our services.

Today, Mr. Chairman, we have a major retailer recruiting with our assistance to staff a new store that will be located in the northeast area of Washington. Again it is only through the utilizaton of programs such as of the TJTC that we have been able to incur the confidence of the employer.

We would like to strongly recommend that the Tax Credit Program be extended or reauthorized. We would, however, also strongly encourage you to seriously consider the following recommendations. And they are detailed in our text.

We would like to see the target group expanded to include more of the 16- and 17-year-olds. As it is now, the 16- and 17-year-olds who are cooperative educational students are eligible throughout the year. The other 16- and 17-year-old students are only eligible during the summer period. It has been our experience in the District of Columbia that there are persons who are not welfare recipients, who are not cooperative education students, but actively seek work during the course of the year.

Because of the entry level jobs that they seek, due to the fact that they lack qualifications for other jobs, the employers request or prefer that the persons be vouchered. We feel that this would assist those persons in becoming self-sufficient.

We also suggest that in order that the public employment service may more timely serve those private employers who are requesting certification that there be some consideration given to increasing the staff available.

We do have guidelines, operational guidelines, that a certification is to be issued within 10 working days. In the District of Columbia it is humanly impossible. We average 100 to 150 requests per day, and we have only 2 persons actually funded to perform the certification functions. This involves verification as well because we wanted to reduce the number of persons who would be determined invalid at a later point.

We also suggest that the TJTC Program be funded out of the general revenue as opposed to FUTA. FUTA funding is already insufficient. We have suffered adverse impact on the employment service side. So we would not like to see that fund with another program.

Mr. Chairman, that concludes my statement. I'll be happy to entertain any questions from you or members of the committee.

[The prepared statement follows:]

STATEMENT OF CAROLYN G. JONES, ASSOCIATE DIRECTOR, OFFICE OF JOB SERVICE, DISTRICT OF COLUMBIA DEPARTMENT OF EMPLOYMENT SERVICES

I welcome the opportunity to testify in support of the Targeted Jobs Tax Credit (TJTC) Program on behalf of the Distict of Columbia's public employment service (Department of Employment Services), more than 200 employers in the District of Columbia and the Washington Metropolitan area who have constantly hired members of the TJTC target groups, and more than 7,000 jobseekers who have become gainfully employed, over the past two years along, as a direct result of the TJTC program.

Mr. Chairman, we appreciate the consideration being given to the reauthorization of the Targeted Jobs Tax Credit Program. Further, you have demonstrated your commitment to the program by appropriating an additional $7.5 million for Fiscal Year 1985 to operate the program. Since the modifications were made in the Economic Recovery Act of 1981, including eliminating retroactive certifications, we can state unequivocally that thousands of previously unemployed persons in the target groups are now productive workers.

The placement opportunities for members of the target groups have increased. These persons have consistently had the most difficulty in securing employment. In the District of Columbia where the demand is highest for skilled and professional employees, some jobseekers with marginal skills were excluded from even entry level jobs although they have the potential to be productive employees. However, in most instances they simply were not given the opportunity to compete for those jobs. As a result of the TJTC program, employers are able to defray some of the expense they incur during the period that employees are developing the skills, knowledges and abilities needed for the job, and the employers are, therefore, amenable to hiring persons who have the potential to become gainfully employed.

Most importantly, there is greater utilization of the public employment services by private sector employers. In the District of Columbia, we have used the TJTC program as an entré to discuss other employment and training services that we provide thereby establishing a public-private partnership to address the needs of the unemployed. A perfect example is the partnership to address the needs of the unemployed. A perfect example is the partnership that has been established between the Marriott Corporation and the Department of Employment Services. The Marriott Corporation has participated in the TJTC program since its inception. As a result of their ongoing utilization of the program, we were able to recruit, screen, refer and eventually place close to 500 job seekers at the new J.W. Marriott Hotel at National Place. We were also able to negotiate on-the-job training contracts under our locally funded programs as well as under the Emergency Veterans Job Training Act. Because of our successful efforts, in the partnership with the Marriott Corporation, other major hotels and businesses are now taking advantage of all of our services. We maintain an ongoing relationship with these employers and are able to place more job seekers due largely to the initial involvement of the businesses in the TJTC program. We, therefore, strongly urge you to extend the Targeted Jobs Tax Credit Program which provides an additional incentive to employers to hire job seekers who are most in need of employment in order that they may be self sufficient. Further, we respectfully request that serious consideration be given to the following recommendations:

1. That the target groups be expanded to include all economically disadvantaged youth 16 through 24. Currently, economically disadvantaged 18 through 24 and qualified cooperative education students 16 through 20 are eligible throughout the year. The disadvantaged youth 16 and 17 who are not cooperative education students or welfare recipients are eligible only during the summer jobs period (May 1st through September 15th). Many of these persons actively seek employment throughout the year because of financial need. The percentage of tax credit for the summer period could be reduced from 85% to 65% to offset the increased eligible employees.

2. That the appropriation be increased to provide adequate staff support for the program. In the District of Columbia, we are unable to use certifications to employers with ten working days as suggested in the Employment and Training Handbook which provides the operational guidelines for the program. In fact, we are issuing certifications from three to six months after receipt of the request because of the number of staff persons funded for this activity, the amount of time required to process the requests, and the number of requests received. We currently have two employees who issue certifications subsequent to verifying eligibility, and we receive an average of 100–150 requests each day.

3. That the TJTC program be funded out of General Revenue Funds rather than FUTA Funds. FUTA funding for the administration of Employment Services Pro-

gram and Umemployment Insurance Program is already insufficient to maintain the integrity of the programs. Funding an additional program from FUTA adversly impacts the employment security programs, which the fund must legally support.

Mr. Chairman, that concludes my statement. I will be happy to entertain any questions that you or other members of the Subcommittee may have.

Chairman RANGEL. We thank all of you. This could not be successful without your dedicated advocacy, and I hope with my colleagues that this is an effective tool necessary to get these disadvantaged groups back to work.

Mr. McGrath.

Mr. MCGRATH. Thank you, Mr. Chairman.

Mr. Grabowski, I'll just ask, in New York the director of my county, director of the Office of the Handicapped, which promotes hiring, Donald Friar, is having some difficulty putting his finger on some of the opportunties that may exist. May I ask that you or somebody in your organization get in touch with him to see if we can smooth out whatever problems that may be imagined or truly exist?

Mr. GRABOWSKI. We will be happy to do that. We have cooperative arrangements with the Vocational Rehabilitation Organization throughout the State. And if there is some local communications problem, we can certainly clear it up. And we'd be delighted to do so.

Mr. MCGRATH. Thank you. No further questions.

Chairman RANGEL. Let me thank you again. I hope that some of the employer beneficiaries will do some of their homework to make certain we have the votes on this matter. Thank you.

The next panel, the American Society for Training and Development, Dr. Anthony Carnevale, chief economist; Dr. Justin O'Brien, assistant professor of special education, Indiana State University; and my old friend from Queens, Long Island, chairman of the Employment Committee for the New York City Partnership, a very successful business person, Leroy Carichael.

We welcome you to the committee. We'll start off with Dr. Carnevale. Is that correct, Dr. Carnevale?

Mr. CARNEVALE. That is correct.

Thank you for the opportunity to appear today. I will summarize my remarks and submit the remainder of my testimony.

Chairman RANGEL. Without objection your formal testimony will be entered into the record. You may proceed.

STATEMENT OF ANTHONY P. CARNEVALE, PH.D., CHIEF ECONOMIST, AMERICAN SOCIETY FOR TRAINING & DEVELOPMENT, INC.

Mr. CARNEVALE. I am Anthony Carnevale. I am chief economist and vice president of the American Society for Training and Development. We are an association of 50,000 employer-based trainers, employer-based industrial labor relations people, and others who do human resource work in the employer setting.

We are here today to support an extension of the targeted jobs tax credit, and more specifically, to support changes in that legislation proposed in H.R. 983, particularly the liberalization in both the eligibility requirements and in the wage amounts covered under the tax credit. It is our view that the approach taken in H.R.

983 can be both a powerful lever for increasing the number of new jobs created under the legislation, and I think ultimately, and in some specific industries and labor markets, a tool for improving competitive advantage, especially in cases where labor markets are tight and unemployment rates are low.

We support the approach taken in H.R. 983 because, in our judgment, it recognizes more so than any other piece of Federal legislation what we have learned over the past 15 years or so in our public attempts at experimentation with programs to help the disadvantaged. Those lessons I think in short form are simply that education and training do not all by themselves create jobs, that training and education outside of the context of a job can be a fairly weak lever for improving opportunity, especially among the disadvantaged, and that training in the context of the job is the primary lever for the American economy for leveraging lifetime income and opportunity for people.

The job training system inside the employer setting by our estimate runs roughly $210 billion worth of training, $30 billion in formal training, and $100 billion or so in informal OJT. And it is that system that leverages opportunity for both relatively advantaged and disadvantaged people.

It is our view that this particular piece of legislation provides access to jobs and thereby access to experience and training which ultimately provides opportunties for a lifetime.

There is ample evidence for that fact. And I will just briefly run through some of it. Econometricians tell us that 85 percent of the variation of earnings among Americans is accounted for what they learn in the workplace formally and informally. Surveys consistently tell us that two out of three Americans say that apart from basic skills they learn what they needed to know to do their jobs on the job.

A recent survey, a month-old survey, from the Bureau of Labor Statistics, tells us the same thing in great detail once again. We support the proposed increase in the amount of eligible wages in H.R. 983 because we believe that it will improve the overall job creation power in targeted jobs tax credits, and make the tax credit more attractive to employers and increase participation among our employer membership.

We also support the expansion in eligible wages because it is likely to improve the quality of job offerings. Better jobs will eventually increase the earningss and tax reflows for each dollar of TJTC tax subsidy that we spend.

Good jobs cost money. Good jobs include training and benefits and a variety of other things that make them more expensive than jobs that are so-so good and are more temporary. And if we are to access good jobs, especially for disadvantaged populations, we have to improve the incentives to employers.

So we come here to support this bill and the changes included in H.R. 983 and offer our assistance in any way as the bill proceeds in the legislative process.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF ANTHONY P. CARNEVALE, CHIEF ECONOMIST, AMERICAN SOCIETY FOR TRAINING & DEVELOPMENT

Mr. Chairman: Thank you for the opportunity to appear before the Select Revenue Measures Subcommittee to express the views of the American Society for Training and Development on the targeted jobs tax credit.

I am Anthony Carnevale, chief economist and vice president for government relations at ASTD. The American Society for Training and Development is a professional association of 50,000 human resource specialists who represent a broad range of employers in the American economy. Employers represented by our members provide work for more than half of the Nation's employees. It is our members who have the responsibility for workplace training and retraining.

As the representatives of the Nation's employer based human resource specialists, we are here today to support the extension of the targeted jobs tax credit. We are especially pleased with proposed changes included in H.R. 983 which would increase the amount of the eligible wage from $6,000 to $10,000 and liberalize the definition of economically disadvantaged.

It is our view that the approach taken in H.R. 983 can be both a powerful lever for resolving the Nation's unemployment problem and an important aid to the Nation's employers in their struggle to maintain American productivity and competitive advantage.

We support the approach taken in H.R. 983 because it recognizes the primary lesson to be learned from our experimentation with programs for the disadvantaged since their inception in the late sixties. That lesson simply put is this: Education and training will not create jobs, but jobs will create a demand for education and training. Moreover, learning in the context of a job or a real job prospect is the only effective means for leveraging earnings among both the disadvantaged and the relatively advantaged. This bill will provide jobs and access to the $210 billion workplace learning system that ultimately leverages incomes and opportunity for advancement.

The importance of workplace learning cannot be overstated. It is the workplace training system that accounts for the vast differences in income among people with the same education level only 15% of the variation in income among Americans is accounted for by their education levels. The other 85% is explained by learning in the workplace. Basic skills aside, two out of three Americans say they learned all they needed to know to do their job, on the job. In a recent survey by the Bureau of Labor Statistics, American workers were asked where they got the skills they needed to qualify for their current job. Fifty percent said they learned what they needed to know informally on the job and another seventeen percent said they learned what they needed to know through formalized employer sponsored training. When asked how they improved their skills, forty percent said they were retrained informally on the job and thirty percent said they were retrained with formalized employer sponsored courses. Ultimately, the importance of H.R. 983 is that it will provide access to employer based training and the opportunity it leverages.

We support the proposed increase in the amount of eligible wages in H.R. 983. This particular legislative change will encourage more participation by employers. With inflation out of sight and not likely to erupt any time soon, the benefits of hiring subsidies far outweight their costs. In fact, it seems likely that we could probably drive the unemployment rate substantially below current levels with wage subsidies of this kind. Current estimates suggest that unemployment rates could fall at least as far as six percent before encountering any inflationary barriers to expansion. What's more, available evaluation data also suggests that partial wage subsidies, such as the TJTC create many more jobs per Federal dollar than any other job creation device. In my judgment there is no reason to believe that we cannot drive unemployment rates toward 5.5% early in the next decade especially with the help of hiring subsidies such as this one.

We also support the expansion in eligible wages because it is likely to improve the quality of job offerings. Better jobs will inevitably increase the earnings and tax reflows for each dollar of TJTC subsidy. Good jobs are those jobs with training, benefits and career ladders. Good jobs are a lot more expensive than jobs that do not have training and a career ladder attached. As a result the increase in eligible wages is likely to increase the quality of jobs that are drawn into the program.

That concludes my testimony. I will be happy to answer any questions.

Chairman RANGEL. Thank you so much.

Dr. O'Brien, we have your full statement. You've done a very thorough job. We hope that you can highlight the statement for us this morning. The full text will be in the record.

STATEMENT OF JUSTIN O'BRIEN, PH.D., ASSISTANT PROFESSOR OF SPECIAL EDUCATION, INDIANA STATE UNIVERSITY

Mr. O'BRIEN. I'll be very brief.

I am an assistant professor of special education at Indiana State University. I am also coordinator of an office of special education and rehabilitative services program assistance grant. The purpose of the grant is to prepare special education teachers for leadership roles in the development of vocational education and transitional employment programs for handicapped students at the secondary and postsecondary level.

I am happy to be here today to lend my support to H.R. 983. The primary bases of my support for this bill are the results of the doctoral research that I completed at the University of California at Berkeley in 1984. My study was an analysis of the excess costs which employers occur when they hire handicapped persons. It was endorsed by the California State Department of Education and the California Employment Development Department.

I support H.R. 983, not only because of the results of my study, but because of my professional role as a special educator deeply concerned about the employment rate of handicapped people, as I am a formerly handicapped Vietnam veteran myself.

I would like to discuss the conclusions of my study, which are based upon the sample that I selected; employers of handicapped people, in the aggregate, do incur increasingly significant excess costs, over and above the net value of the targeted jobs tax credit. This implies to me that the value of the credit needs to be larger in order to create a greater incentive for employers to hire handicapped individuals.

My main concern here is to speak for more severely handicapped individuals, those who under the present credit, are not finding employment at significantly higher rates. More physically or mentally handicapped individuals tend to incur larger excess costs to their employers. The Targeted Jobs Tax Credit Program, at its present wage and base rate, is not sufficiently large to induce employers to hire them.

So, my study speaks most for the more severely involved individuals who require a larger tax credit to induce employers to hire them.

[The prepared statement follows:]

STATEMENT OF JUSTIN O'BRIEN, ASSISTANT PROFESSOR OF SPECIAL EDUCATION, INDIANA STATE UNIVERSITY

Chairman Rangel and members of the Subcommittee, I am Justin O'Brien. I am an assistant professor of Special Education at Indiana State University. I am also the Coordinator of an Office of Special Education and Rehabilitative Services program assistance grant. The purpose of our grant is to prepare Special Education teachers for leadership roles in the development of vocational education and transitional employment programs for handicapped students at the secondary and postsecondary levels.

I am very pleased to have been invited here today to testify before the Subcommittee. My support of H.R. 983 is based, in part, upon the findings of the doctoral research I completed in 1984 at the University of California at Berkeley. My study, "An Analysis of the Excess Costs in the Employment and Training of Handicapped Individuals in the Targeted Jobs Tax Credit Program: Implications for Educational Policy for the Handicapped," was endorsed by both the California State Department of Education and the California Employment Development Department.[1] I am greatly in favor of the passage of H.R. 983, both in my professional role as a Special Educator concerned with the employment and training of handicapped individuals, and personally, as a formerly-disabled Vietnam veteran.

During the preceding two decades, the disabled have gained parity with other minority groups in the public consciousness with regard to civil rights, their unique educational needs, as well as the difficulties they encounter in securing and maintaining stable employment.

During the mid-1980's the first post Education of the Handicapped Act generation of exceptional children will be leaving the public schools. Some 250,000 to 300,000 disabled students will be graduating from our nation's schools each year.[2] They will enter an adult society still very much unprepared to deal with most of them. Using national data, the Berkeley-based Disability Rights Education and Defense Fund compared the percentage of all American families in four major income groups with the percentage of families with a disabled member ("disabled" family). [3]

"The percentage of [4] "disabled" families earning less than $5,000 per year was nearly triple the national average.

"More than twice the percentage of "disabled" families as non-disabled earned less than $10,000 per year.

"The percentage of "disabled" families earning more than $15,000 per year is less than half the percentage of all non-disabled families in that bracket.

Thus, a "disabled" family's income is nearly three times as likely to fall below the federally-defined poverty level as the average family's. "Disabled" families are only half as likely to reach the level of economic well-being attained by the American population as a whole and as a class are the poorest single group in our country.

Two factors contribute to the impoverishment of handicapped Americans: extraordinarily high rates of unemployment and low wages. The U.S. Commission on Civil Rights recently reported that the unemployment rate of the handicapped is between 50 and 80 percent.[5] In an analysis of Social Security Administration data, Levitan and Taggart found that disabled individuals earned substantially less than their non-handicapped peers. The wages of disabled men equal only 79 percent those of non-disabled men; wages of disabled women are only 74 percent of the wages earned by non-disabled women.[6]

Approximately eight percent of the Gross National Product of the United States is spent each year for disability programs, with most of this amount going to programs which support dependence.[7] With the cost of joblessness among the disabled "high and rising," the Office of Special Education and Rehabilitiative Services has responded by making the competitive employment and long-term labor force attachment of disabled youth leaving our schools a national, central programmatic priority.[8]

There are numerous difficulties which have been thought to characterize the employment of disabled persons and which tend to thwart the effectiveness of even the most well thought-out educational strategies and programming. Employment barriers such as less than accepting attitudes on the part of employers and union officials; architectural barriers; stereotyping relative to the capacity of individuals with certain handicaps to perform successfully in selected occupations, and the need for excessive accommodations and modifications of the work environment are most often cited.

The suspicion that certain factors increase costs depresses the value of hiring disabled workers. With other variables held constant, variations in hiring and training costs translate into variations in profit for employers. Since employers often view potential employees as average members of the groups to which they belong, being handicapped has an informational impact on the labor market that implies higher costs, and thus, a lower rank in the labor queue.[9]

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[1] Appendices.

[2] Programs for the Handicapped, "Youth with Disabilities: The Transition Years," Washington, Department of Education, Office of Special Education and Rehabilitative Services, 1984.

[3] National Center for Health Statistics, Vital and Health Statistics, Series 10, No. 111, Washington, Department of Health, Education and Welfare, 1975.

[4] Bureau of the Census, Current Population Reports, Series P-60, No. 129, Washington, Department of Commerce, 1981.

[5] U.S. Commission on Civil Rights, "Accommodating the Spectrum of Disabilities," Washington, 1983.

[6] Levitan, S. And Taggart, R., Jobs for the Disabled. Baltimore: Johns Hopkins Press, 1977.

[7] White House Working Group on Disability Policy, 1983.

[8] Office of Special Education and Rehabilitative Services, "Programs for the Handicapped," September/October, 1984 Number 5. Washington, Department of Education.

As is well known to the Subcommittee members, the economic theory of the Targeted Jobs Tax Credit is that these individuals whose suspected or actual employment and training costs are excessive are at a disadvantage in the labor market and require a program such as the TJTC to reduce these costs to employers.[10]

At the time I planned my research, I was surprised to learn that over the last twenty years, despite greatly expanded inquiry on the handicapped, data on their employment in the private sector had been virtually ignored.[11] The major question which emerged from the literature was whether or not excess costs do occur, and, if so, where in the employment and production process they are incurred. I also discovered that no studies, as of that time, had been conducted on the Targeted Jobs Tax Credit at the level of the firm and the individual.

My research consisted of fifteen in-depth case studies which were conducted on handicapped individuals randomly selected from the TJTC files of the California Employment Development Department. These individuals, all voluntary participants, reside and work in the eight San Francisco Bay Area counties.

The costs categories developed for the study included: [12]

I. Disability-related Transaction Costs:

A. Administrative costs in personnel, payroll, and other ancillary departments.

B. Excessive financial payments to third parties associated with accession (such as consultant's or accountant's fees).

II. Disability-related Productivity Costs:

A. Production-related Ancillary Costs (such as off-the-job training costs and preparation costs of coworkers, etc to work with the disabled employee).

B. Production-process Costs:

1. Atomistic Processes (processes related to the productive domain of the individual worker):

a. Disability-related replacement lag.

b. Disability-related supervision and instruction.

c. Disability-related production deficits.

2. Group Processes and Interdependencies:

a. Group Cohesion and intensity of effort.

b. Functional integration.

c. Spillover effects.

The financial data collected in each case cover a span of years beginning with the enactment of the TJTC in 1978, and different cases span different years. Thus, it was necessary to compute discounted values of financial flows in order to compare cases. Discounted values were first computed for the year in which the initial investment in hiring was made by the employer. Thus, in one case, tax credit and cost data were discounted to 1978, in another case to 1981. In these calculations, each firm had its own rate of discount. These rates are either the nominal interest rates earned from investments, or alternately, paid on commercial loans. Since the prime lending rate fluctuates periodically each year, weighted averages of the rates for each year were computed for use in the present value formulations. For making comparisons between cases, the discounted values were all inflated to 1983 dollars. This second computation utilized the present change from each preceding period in the GNP implicit price deflator.[13]

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[9] Spence, A.M. Market Signalling: The Informational Structure of Job Markets and Selected Phenomena. Unpublished doctoral dissertation, Harvard University, 1972.

[10] Fisk, J. The Economic Rationale for the Targeted Jobs Tax Credit. Congressional Research Service, Library of Congress, 1980.

[11] Berkeley Planning Associates. Final Report: Analysis of Policies of Private Employers Toward the Disabled. Department of Health and Human Services, 1981.

[12] These analytical categories are adaptations of those developed by J.B. Ratner in Costs of Labor Adjustment and the Demand for Labor: A Case Study in the Micro-foundations of Macroeconomics. Unpublished doctoral dissertation, Yale University, 1978.

[13] Bureau of Economic Analysis, Survey of Current Business, various issues, Washington, Department of Commerce, 1980–1983.

TABLE V.—AFTER-TAX COSTS OF NEW HIRE, AND VALUE OF TAX CREDIT

[In 1983 dollars]

Case study	Years of TJTC employment	Discounted total costs		Value of TJTC	Net benefits (costs) to employers
(1) Yuri	1979 to 81	$62	(TJTC transactions)	$1,234	$1,172
(2) Craig	1981 to 83	58	(TJTC transactions)	2,124	2,066
(3) Ida	1981 to 83	65	(TJTC transactions)	2,307	2,242
(4) Wayne	1979 to 81	78	(TJTC transactions)	4,418	4,340
(5) Tyrone	1980 to 82	106	(TJTC transactions)		
		527	(transportation costs)		
Subtotal		633		1,992	1,359
(6[1]) Ronald	1979 to 80	27	(TJTC transactions)		
		323	(excessive absences)		
Subtotal		350		3,382	3,032
(7) Cathy	1979 to 80	47	(TJTC transactions)		
		548	(excessive absences)		
Subtotal		595		4,663	4,068
(8) January	1980 to 82	49	(TJTC transactions)		
		1,074	(productivity deficit)		
Subtotal		1,123		2,611	1,488
(9[1]) Austin	1980–	455	(TJTC transactions, termination, rehire and training costs)		
		248	(productivity deficit)		
		46	(spillover effect)		
Subtotal		749		1,027	278
(10[1]) Nora	1980–	135	(TJTC transactions, termination, rehire and training costs)		
		24	(supervision and instruction)		
		20	(premium wages)		
		394	(productivity deficit)		
Subtotal		573		161	(412)
(11[1]) Kent	1979 to 81	82	(TJTC transactions)		
		831	(transportation costs)		
		7,700	(productivity deficit, damages, seizures)		
Subtotal		8,613		2,725	(5,888)
(12[1]) Denny	1979 to 80	55	(TJTC transactions)		
		9,840	(supervision instruction)		
		1,293	(productivity deficit)		
Subtotal		11,188		2,617	(8,571)
(13) Pamela	1981 to 83	68	(TJTC transactions)		
		3,367	(productivity deficit)		
Subtotal		3,435		1,581	(1,854)
(14) Jack	1980 to 82	123	(TJTC transactions)		
		3,413	(productivity deficit)		
		1,759	(spillover effect)		
Subtotal		5,295		3,426	(1,869)

TABLE V.—AFTER-TAX COSTS OF NEW HIRE, AND VALUE OF TAX CREDIT—Continued

[In 1983 dollars]

Case study	Years of TJTC employment	Discounted total costs	Value of TJTC	Net benefits (costs) to employers
(15) Loren	1979 to 81	66 (TJTC transactions) 20,574 (supervision and instruction)		
Subtotal		20640	2,807	(17,833)
Total		53,457	37,075	20,045
Grand total				(36,427)

Aggregate Net Cost to Employers = $16,382.
[1] Terminated with prejudice.

As the Summary Table illustrates, the costs incurred by the employers of these 15 disabled people vary enormously. In cases 1 through 9 costs due to disability are apparent, though they remain less than the total net value of the TJTC to each employer. Cases 9 through 12, however, represent individuals whose increasing productivity deficits eventually led to their being terminated with prejudice. Cases 13, 14, and 15 tell the stories of employees who will continue to be a financial burden to their employers.

Disability-related productivity costs appeared in a variety of forms. Ancillary costs included damages to work sites and materials, excessive sick leave, overtime wages for helpful coworkers, extra supervision and instruction costs. Disability-related production deficits, particularly when the ratio of total value to payroll is factored in, were significant in many cases.

Group cohesion, functional integration, and spillover phenomena were observed in some cases involving disability-related productivity deficits. The aggregate net cost for this group of employers equals $16,382. However, for those eight employers bearing the burden of escalating disability-related costs, the total aggregate shortfall equals $36,427, an average of $4,533 per employer.[14]

This study represents basic research in terms of the Targeted Jobs Tax Credit program in general and of the handicapped in particular. In basic research, as opposed to applied, the central interest is the relationship among variables and the internal, rather than the external, aspects of the study. While this investigation was conducted with an eye toward policy relevance and formulation, its major emphasis was on the refinement of existing analytical categories for the purpose of measuring costs. This consideration, along with the modest size of the study, militates against overambitious generalizations with regard to the Targeted Jobs Tax Credit or the employment of handicapped individuals on a nationwide basis.

The findings of this study, however, are highly relevant to the purpose of these hearings and provide clear evidence in support of both the extension of the Targeted Jobs Tax Credit and an increase in the benefits it affords employers of handicapped individuals, particularly those with more severe disabilities.

There are three salient issues which I wish to address at this point, the first being the apparent cost-effectiveness of the program when compared with previous job placement programs. The average cost for placing a participant in the now defunct Title II CETA community employment program in FY 1982 was estimated to be $5,466, and during JTPA transition year of FY 1983, $6,070.[15] In comparison, the average net value of the TJTC to the fifteen employers in my study was $2,472.

The second issue I wish to address is that of excess costs. Clearly despite the sizable tax saving available under the program, many employers of handicapped individuals do, unhappily, incur sizable and significant excess costs for a number of reasons independent of the handicapped employee's willingness to work.[16] For many severely disabled people, worthy and willing to work, even an incentive the size of the present credit is not sufficient to encourage employers' forbearance. This proposed increase in the value of the credits has the potential of doing more to improve the job-finding and job-retention potential of more severely handicapped workers than practically any other governmental action to date. It is in the name of these that my study speaks the loudest.

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[14] Net Costs are those costs in excess of the net value of the TJTC to each employer.

[15] U.S. Department of Labor. Annual Reports. FY 1982 and FY 1983.

[16] Significant excess costs are those costs which exceed the net value of the TJTC to employers

There is evidence from recently-publicized studies that the new Jobs Training Partnership Act is failing in its objective of serving disadvantaged youth. High performance standards, low stipends, and greater involvement by the private sector has produced the familiar phenomenon of "creaming" in which more employable youths are receiving services while the needs of more severely disadvantaged (and handicapped) youths go unmet.[17] An increase in the benefits available under the TJTC would go a long way in assisting more severely handicapped youths in accessing the services available under the JTPA.

Lastly, I would like to address an issue which seems to contradict my testimony in support of H.R. 983. While the aggregate net cost to this groups of fifteen employers in my study was $16,382, many employers did accrue net benefits as a result of the tax credit. There are a number of reason which mitigate this difficulty. Many of the handicapped people these firms hired most likely would not have secured employment without the credit. The long-term labor force attachment and increased lifetime earnings of these individuals who otherwise may have remained unemployed makes the investment worth while, regardless of the net benefits to the employers.[18] There is evidence that during their working lifetimes, rehabilitated handicapped people earn $35 for every $1 spent on rehabilitation, and that $11 of that amount is paid back in taxes.[19]

APPENDIX A

STATE OF CALIFORNIA,
DEPARTMENT OF EDUCATION,
Sacramento, CA, January 28, 1982.

Mr. DOUGLAS PATINO,
Director, Employment Development Department, Sacramento, CA.

DEAR MR. PATINO: The Department of Education, Office of Special Education endorses the study Mr. Gerald J. O'Brian has proposed regarding the implementation of Targeted Job Credit's program for handicapped youth who have recently graduated or left high school.

Mr. O'Brien has completed other similar studies related to vocational education for the Department of Education. Therefore, he understands that the Department of Education sanctions this study and the requirements to assure non-disclosure of confidential information.

Thank you for your attention in this matter.

Sincerely,

LOUIS S. BARBER,
Assistant Superintendent and Director, Office of Special Education.

APPENDIX B

STATE OF CALIFORNIA, HEALTH AND WELFARE AGENT.

To: Gloria Becerra, Director.
From: Employment Development Department, Joel G. Contreras, Chief Counsel.
Subject: Request for targeted jobs tax credit, program information pursuant to unemployment insurance code, section 322.

Attached is a request for information from the Department of Education concerning the Targeted Jobs Tax Credit Program. The circumstances surrounding this request are as follows.

A Mr. Gerald J. O'Brien, a graduate student in the School of Education, University of California, Berkeley, is conducting a study on the employment and training effects of the Targeted Jobs Tax Credit Program, particularly as they relate to the employment of disabled person. In order to complete his study, Mr. O'Brien needs information concerning this tax program which is in the possession of this Department. There is no question that the information involved is confidential pursuant to Unemployment Insurance Code Sections 1094 and 2111, and cannot be released to Mr. O'Brien. However, the Department of education has decided to endorse Mr.

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[17] Education Week, "Job-Training Act Failing Youths, Analyses Find," January 23, 1985

[18] Net benefits are the values of the TJTC over and above the excess costs incurred by the employers.

[19] President's Committee on the Employment of the Handicapped.

O'Brien's study and, as such, has requested that the information be shared with them pursuant to Unemployment Insurance Code Section 322.

It is the Legal Office's opinion that this request be granted pursuant to the Director's discretionary authority as described in Unemployment Insurance Code Section 322. Unemployment insurance Code Section 322 provides in pertinent part that this Department may exchange information with other government agencies so long as the recipient agency is concerned with the "* * * relief of unemployed * * * individuals * * *". In this instance, the Department of Education falls within this category. Furthermore, the Department of Education has assured us that the information released will remain confidential and will not be published nor dispersed to other parties, and that Mr. O'Brien will reimburse this department for any expenses incurred in the gathering and release of the information. Since these assurances are provided, and because the project is worthwhile and can be greatly assisted by our cooperation, I recommend the execution of the sharing agreement.

Chairman **Rangel**. A great job. Mr. Carmichael is here representing the New York City Partnership. They have done an outstanding job.

Mr. **Carmichael**. Thank you very much, Mr. Chairman.

I bring you greetings from an old friend of yours, David Rockefeller.

Chairman **Rangel**. Thank you very much.

STATEMENT OF LEROY CARMICHAEL, CHAIRMAN, EMPLOYMENT COMMITTEE, NEW YORK CITY PARTNERSHIP, INC.

Mr. **Carmichael**. Thank you very much.

Mr. Chairman, I would like to read my statement because I do have some statistical information in this document that I think certainly does justify the New York City Partnership's support of extension of this bill.

My name is Leroy Carmichael, and I am president of Carmichael Enterprises, a family-owned business in Queens, NY, and a member of the policy committee and also the Youth Employment Committee of the New York City Partnership. The partnership consists of businesses and civic associations whose members in most instances are chief executive officers of their respective organization. Our diverse members, chaired by David Rockefeller, come from all five boroughs of New York City from major national and international corporations, small family enterprises, educational institutions, foundations, and civic associations. Our common concern to New York City is to make New York City a better place to work and a better place to live, but most importantly, a better place in order to do business.

On behalf of the New York City Partnership I appreciate the opportunity to speak before you on an issue of major importance to New York City and New York City Partnership. Others here today have informed you of the significance of this issue to New York State and the rest of the country. On behalf of New York City Partnership, I wish to express our support for the 3-year extension of the targeted jobs tax credit. As you know, the Targeted Jobs Tax Credit Program provides employers a tax credit in exchange for providing jobs to individuals within the nine target categories.

The emphasis in my testimony will be on the impact of TJTC on disadvantaged youth because that is where the New York City Partnership has been actively involved. New York City Partnership supports the Federal Targeted Jobs Tax Credit Programs for two reasons. One, because it provides character and citizenship.

The other one is because it does provide certain advantages for employers.

Youth employment is a major concern in New York City. Currently 50 percent of minority youth aged 16 to 21 in New York City are unemployed. The cost to New York is significant not only in terms of the lost revenues but also in social costs. This problem is further exacerbated during the summer when most youth are out of school. And previous Federal cutbacks in the city's Summer Youth Employment Program have exacerbated an already difficult situation, thus making a need for TJTC much more critical because of the incentive it provides to businesses to hire young people.

Mr. Chairman, if I may, and members of the Committee, if I may, I would like to give you some statistics from 1981 up until the present time which illustrate what New York City Partnership has done. Since 1981 New York City Partnership has sponsored a Private Sector Jobs Program for disadvantaged youth in conjunction with five other agencies.

During these 4 years the program found 71,600 jobs for youth 16 through 21 years old in New York City. For many, this was their first exposure to a job. The value of a first job cannot be measured. But exposing a young person to the business environment is one way of giving these youth a headstart in their careers.

And from my perspective as a businessman, this becomes very critical because of the development of the future work force.

In 1981, 10,000 economically disadvantaged youth held summer jobs in the private sector through this program. In 1982 the figures grew by 50 percent to 15,000 jobs. In 1983 the number of economically disadvantaged youth who received summer jobs grew to 20,000, a 33-percent increase. And in 1984, 26,600 youth found summer employment, $22 million in wages were paid to young New Yorkers, and 1,000 companies hired youth as part of their Summer Jobs Program.

Of these 6,000 targeted jobs, of these 6,000 employed through the Targeted Jobs Tax Credit Programs this represents an increase of 60 percent over the number of TJTC jobs in 1983 and constitutes a major portion of the increase in the number of jobs obtained by disadvantaged youth between 1983 and 1984.

The number of small firms like my own who are participating in the Summer Jobs Program and taking advantage of the TJTC has been growing steadily. This has been the case in boroughs other than Manhattan, including my own, Queens.

Each summer efforts to reach out to small firms have gained added significance in the overall job campaign, because we, the partnership, recognize that small employers can benefit, especially from a program like TJTC. It is clear to us that as the number of small and medium-sized employers participating in the program increases, so does the level of TJTC participation especially among small firms, which without this tax incentive may be hard pressed to hire young people.

The rationale, Mr. Chairman, for supporting a 3-year extension of TJTC is because it is more difficult to market a program to employers when there is uncertainty about its future. This fact, notwithstanding, popular awareness of the program is growing. I am sure you will hear—as you have heard already—from others concerned with this vital program.

At present we in New York are faced with a serious youth unemployment problem. The Federal targeted jobs tax credit provides a real incentive for businesses to hire economically disadvantaged youth. Very little else—though I could be wrong—in the way of legislation is providing this kind of incentive.

Therefore, Mr. Chairman, on behalf of the New York City Partnership, we strongly urge the extension of this important piece of legislation. Thank you.

[The prepared statement follows:]

STATEMENT OF LEROY CARMICHAEL, EMPLOYMENT COMMITTEE, NEW YORK CITY PARTNERSHIP, INC.

Good morning. My name is Roy Carmichael. I am President of Carmichael Enterprises, a family-owned business in Queens, New York and a member of the Policy Committee and the Youth Employment Committee of the New York City Partnership. The Partnership is a business and civic association whose members are, in most instances, the chief executive officers of their respective organizations. Our diverse members, chaired by David Rockefeller, come from all five boroughs of New York City, from major national and international corporations, small family enterprises, educational institutions, foundations and civic associations. Our common concern is to make New York City a better place in which to live, to work, and to do business.

I appreciate the opportunity to speak before you on an issue of major importance for New York City and the New York City Partnership. Others here today have informed you of the significance of this issue to New York State and to the rest of the country. On behalf of the Partnership, I wish to express our support for a three year extension of the Federal Targeted Jobs Tax Credit. As you know, TJTC provides employers a tax credit in exchange for providing jobs to individuals within any of nine targeted categories.

The emphasis in my testimony will be on the impact of the TJTC on disadvantaged youth because that is where the Partnership has been actively involved. The New York City Partnership supports the Federal Targeted Jobs Tax Credit because of the incentive it provides employers to hire disadvantaged youth. Youth unemployment is of major concern in New York City. Currently, 50% of minority youth, aged 16-21, in New York City are unemployed. The cost to the City is significant not only in terms of lost revenues but also in social costs. This problem if further exacerbated during the summer when most youth are out of school. And previous federal cutbacks in the City's summer youth employment program have aggravated an already difficult situation, thus making the need for TJTC that much more critical because of the incentive it provides business to hire youth.

Since 1981, the New York City Partnership has sponsored a private sector Summer Jobs Program for disadvantaged youth in conjunction with five other agencies. During these four years, the program found 71,600 jobs for youth, 16-21 years old in New York City. For many, this was their first exposure to a job. The value of a first job cannot be measured. Exposing a young person to the business environment is one way of giving these youth a head start in their careers and, from my perspective as a businessman, especially critical for the development of our future workforce.

In 1981, 10,000 economically disadvantaged youth held summer jobs in the private sector through this program. In 1982, this figure grew by 50% to 15,000 jobs, in 1983, the number of economically disadvantaged youth who received summer jobs grew to 20,000, a 33% increase. And, in 1984 alone, 26,000 youth found summer employment. $22 million in wages were paid to young New Yorkers, and 1,000 companies hired youth as part of the Summer Jobs Program. Of these youth, 6,000 were Targeted Jobs Tax Credit Jobs. This represents an increase of 60% over the number of TJTC jobs in 1983, and constitutes a major portion of the increase in the number of jobs obtained by disadvantaged youth between 1983 and 1984.

The number of small firms, like my own, who are participating in the Summer Jobs Program and taking advantage of TJTC has been growing steadily. This has been the case in boroughs other than Manhattan, including my own, Queens. Each summer, efforts to reach out to small firms have gained added significance in the overall job campaign, because we recognize that small employers can benefit especially from a program like TJTC.

It is clear to us that the number of small- and medium-sized employers participating in the program increases, so does the level of TJTC participation, especially among small firms, which, without this tax incentive, may be hard pressed to hire a young person. The rationale for supporting a three year extension of TJTC is that it is more difficult to market a program to employers when there is uncertainty about its future. This fact not withstanding, popular awareness of the program is growing, as I am sure you have or will hear from others today.

At present, we, in New York, are faced with a serious youth unemployment program. The Federal Targeted Jobs Tax Credit provides a real incentive for business to hire economically disadvantaged youth. Very little else in the way of legislation is providing this incentive. I strongly recommend that this legislation be extended for a three year period.

Thank you for the opportunity to present the New York City Partnership's position on extending the Federal Targeted Jobs Tax Credit.

Chairman Rangel. Thank you, Mr. Carmichael.

On behalf of the New York State congressional delegation, I want to thank the Partnership not just for coming to tell us what they think we can do to help business, but for the services you provide in assisting us to help those who cannot help themselves.

Your participation provides a great part of the leadership that we've come to depend on with the New York City Partnership. The entire delegation is deeply appreciative.

Mr. McGrath.

Mr. McGrath. Thank you, Mr. Chairman.

Mr. O'Brien, we've been told in past testimony that there are approximately 39,000 handicapped persons that have been vouchered under this program. Is that basically the number that you have, or is it lower or more? Or if so, what number can be given to the retroactivity function of the previous? How many people just actually took advantage of those to be added on the payroll?

Mr. O'Brien. My study only consisted of 15 individuals. The total number of vocational rehabilitation referrals I am not aware of nationwide—39,000 seems awfully low. That sounds like it may be from perhaps one State.

I would think that the total aggregate number of vocational rehabilitation is substantially larger than that. I am not aware of the figures nationwide.

Mr. McGrath. In your own mind, have employers just taken advantage of those who they've already previously had who were perhaps handicapped, or are these new starts?

Mr. O'Brien. Prior to the elimination of retroactive certification, that was admittedly a problem, that many handicapped individuals who had already been working were simply certified and counted as new hires. Now, the retroactive certifications have been eliminated. That is now impossible. And none in my study were retroactive.

As a matter of fact, each and every one of them owed their job in large extent to the existence of the tax credit, would not have been hired without it. And a number of them continued to be employed because it encouraged employers' incentives in the face of lower rates and productivity during the earlier training.

Mr. McGrath. Thank you, Mr. Chairman.

Chairman Rangel. Mr. Campbell, a prime sponsor of the legislation.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I want to thank the panel for their testimony. Let me follow up on Mr. McGrath.

You said it would compensate for the lower level of productivity in the early years. In your studies, have you found that the productivity of the individual does increase though and they do in fact in many instances, not the vast majority, move into the work force as fully productive employees?

Mr. O'BRIEN. Yes. I am making a general statement here that the overwhelming majority of the handicapped individuals with the proper training techniques can become as productive or more so than not handicapped individuals.

I think my only personal concern and concern now of educators across the country are more severely involved individuals both physically and mentally who, given proper training, may approach normal productivity but probably will not ever attain it. In that case, an increase in the tax credit incentive can cause employers to hire more severely handicapped individuals because there are more significant costs in hiring these people.

And that's why I am in favor of the increase in credit, not only the wage base, but also percentage of the credit for the first 2 years.

Mr. CAMPBELL. Thank you, sir.

Chairman RANGEL. Again, let me thank you for your contribution, not only in our consideration of this legislation, but for the work that is being done back home. This is where it is the most important. I wish to welcome the next panel, from the Committee for Employment Opportunities, David Robison, the director; from the National Rehabilitation Association and South Carolina Department of Vocational Rehabilitation, Harriet Fowler; and from the Maryland Governor's Committtee on Employment of the Handicapped, Faith S. Kirk, the executive director.

I think what we'll do now is suspend for 10 minutes. This will give us an opportunity to go to the floor and vote. We can then return right after the voting, rather than interrupt your testimony.

[Short recess.]

Mrs. KENNELLY [presiding]. I call the committee back to order.

Mr. Robison.

STATEMENT OF DAVID ROBISON, DIRECTOR, COMMITTEE FOR EMPLOYMENT OPPORTUNITIES

Mr. ROBISON. Thank you. I would like to address four questions. First, who is the TJTC worker?

They are all disadvantaged. Eligibility for five of the seven major groups requires a very low income. Even for the others, if you are an adult who needs work at about $3.35 an hour, you are disadvantaged.

In a study of 1,500 certifications that we did in 1984, half of the TJTC workers had no earned income in the 6 months prehire. This group had received $100 per week or more.

I would like to refer to the Treasury testimony. They said that they did not consider cost offsets—they knew that they were there, but they didn't count them at all. I guess the main point I would like to show coming out of this point is that the cost offsets mean the program doesn't cost anything.

It's because these people are so disadvantaged. And if a half of them had no income 6 months prehire, somebody else might have gotten the job, but they wouldn't. The proof is they didn't get the job. Most of the people were unemployed 6 months prehire. Without TJTC, they didn't get the job.

TJTC is therefore the best targeted jobs program in history. Who else are the users? Just over half of the youth 18 to 24. But the adult group is growing very fast. By far the fastest growing group is AFDC, which grew by 90 percent the year before, something like that.

The handicapped workers, the ex-convicts, they are growing very fast too. In these groups we have very long retention.

Two, would the TJTC worker have been hired anyway? No in most cases. Someone would have been hired, but not our disadvantaged job applicant. A large proportion are functionally illiterate. Most of the adults are handicapped or on welfare or ex-convicts, or otherwise very hard to place in jobs.

Without TJTC our people wouldn't get the job. The proof, they didn't get in the job. We're in the business of preferential hiring. That is TJTC. Without the incentive, the employer hires someone else.

When employers start TJTC, they invariably say we are not going to skew our hiring. But they soon do. Without any quotas, it is just human nature. For the small companies using TJTC they prefer the eligible applicants. For the big companies at the local hiring level, the eligibles are looked upon in a way. They meet the minimum hiring requirements, they are preferred in hire. Many employers hire our people and didn't take a credit.

By in large, then we say that 563,000 people hired in 1984 were hired because of TJTC. The Treasury says that TJTC handled 10 percent of the youth unemployment problem. The cost was $200 million in 1986 before the Joint Committee on Taxation.

Let's extrapolate it and multiply by 10. For $2 billion that would serve hypothetically all of the disadvantaged youth or 3 million. For $200 million to place 560,000 people, half of them youths, in jobs, is a very low cost. And that's before any cost offsets.

I would like to take one example which is the most startling of all, ex-convicts. There were 28,000 in TJTC last year. The recidivism rate is 60 percent according to the FBI. But with TJTC it is below 5 percent.

We will assume that they got their jobs because of TJTC, especially for ex-convicts. To be generous, let's say that only 50 percent would return to prison without the TJTC job. The average prison stay is 3 years at a cost of about $26,000 a year or $78,000 per person. Multiply by the ones who would have returned to prison. And the savings per year is about $1 billion. For 5 years it is $5 billion or more than the 3.8 billion that the joint committee says TJTC would cost for 5 years.

It's also at $1 billion for the first year, five times the $200 million estimated for 1986. The prison savings alone would more than cover the whole cost of TJTC. The same savings apply though not in such huge proportions to TJTC workers who receive welfare or who are handicapped or who receive unemployment and other forms of Government assistance, In other words, the ex-convict group pays for TJTC. So does the AFDC group, and so do handicapped workers.

I would like to give a specific example for handicapped workers. There were 38,000 last year. The average Government charges were at least $5,200 a year. Multiplied by 38,000, it is 100 times the $8 million, or a cost of $200 million. That means the savings alone on handicapped workers also pays for the program.

And the Maryland study shows the average income gain comparing the handicapped workers eligible for TJTC who were certified to the control group who were not was $4,600. Therefore, that group got $175 million more income last year because of TJTC.

Mr. McGRATH. Will the Chairperson yield?

Mrs. KENNELLY. Yes.

Mr. McGRATH. That is SSDI?

Mr. ROBISON. A variety. SSDI, it's immediate care, UI, welfare, all of those.

Mr. McGRATH. And can you document those numbers?

Mr. ROBISON. Sure.

Mr. McGRATH. Please do and send them in.

Mr. ROBISON. Four, why must we have this program? The administration wants the job corps eliminated, it wants the welfare program eliminated. Summer youth jobs will be cut down, job training funds are headed to one-third their former level. What will be left if TJTC is eliminated?

We need door openers for the disadvantaged. There is no substitute for an incentive that employers understand and use. It is not a grant program, it creates no bureaucracy. It costs 2,700 jobs to administer using the job service system. We can't do without it.

It would be dead now without Mr. Rangel's leadership, Mr. Heinz, and Mr. Campbell. It has a majority of cosponsorship in the tax committees.

We feel you can say that 5,300 people got their jobs in 1984 because of this program and because of you, and 600,000 will get them in 1985, this year. Over 700,000 in 1986, and further years if you help us.

[The prepared statement follows:]

STATEMENT OF DAVID ROBISON, DIRECTOR, COMMITTEE FOR EMPLOYMENT OPPORTUNITIES

I would like to address four questions: Who is the TJTC worker? Would he or she have been hired anyway? What does it really cost? Why must we have this program?

1. Who is the TJTC worker?

First, they are all disadvantaged. Eligibility for five of the seven major targeted groups requires a very low income. Even for the others, if you are an adult who needs work at about $3.35 per hour, you are disadvantaged.

In a study of 1,500 certifications which we did in 1984, *half* of the TJTC workers had no real earned income in the six months pre-hire. This group has received government assistance which averaged $100 per week or more.

Just over half of all TJTC workers are youth age 18–24 and low-income. But the adult group is growing fast: over 100% growth for AFDC recipients and fast growth too for handicapped workers, Vietnam-era veterans, and ex-convicts.

Thus, TJTC is the best-targeted jobs program in our history.

2. Would the TJTC worker have been hired anyway?

No, in most cases. Someone would have been hired, but not our disadvantaged job applicant. A large proportion are functionally illiterate. Most of the adults are handicapped, or on welfare, or ex-convicts, or otherwise very hard to place in jobs. Without the incentive of the TJTC, our people wouldn't get the job.

We have the proof. Half had been unemployed for six months. So they didn't get the job.

We are in the business of preferential hiring. That is TJTC. Without the incentive, the employer hires someone else.

When employers start TJTC, they say that "we are not going to skew our hiring." But they soon do. Invariably, they do. Without any quotas. It is just human nature.

The small companies absolutely prefer TJTC-eligible applicants. And the big companies find that, at the hiring level, TJTC eligibles are looked at in a new way. If they meet the minimum hiring requirements, they are preferred and hired.

Many employers hired our people and didn't take the credit. So, by and large, we got 563,000 people hired in fiscal 1984 because of TJTC. Or more.

3. What does it really cost? TJTC costs nothing; in fact, it is a net benefit to the federal Treasury.

Look at just one group, the ex-convicts. There were 27,000 of them in TJTC last year. The recidivism rate for ex-convicts is 68%. With the TJTC job, it is below 5%. We will reasonably assume that they got their job because of TJTC.

To be generous, let us say that only 50% of them would have returned to prison without the TJTC job. The average prison stay is three years, at a cost of about $26,000 per year, or a total cost of $78,000 per person. Multiplying by 13,500 people who would have returned to prison, the savings per year is about $1 billion.

That is five times the $200 million 1986 cost of TJTC estimated by the Joint Committee on Taxation. In five years of TJTC, the prison savings alone would more than cover the whole cost of TJTC.

The same savings apply, though not in such huge proportions, to TJTC workers who received welfare, or who are handicapped, or who receive unemployment and other forms of government assistance.

In other words, the ex-convict group alone pays for TJTC in savings. So does the AFDC group. So do the handicapped workers.

4. Why must we have this program?

The Administration wants the Job Corps eliminated. It wants the WIN/welfare eliminated. Summer youth jobs will be cut down. And job training funds are headed to one-third of their former level.

What will be left if TJTC is also eliminated? We need door-openers for the disadvantaged. There is no substitute for incentives that employers understand and accept.

TJTC is not a grant program. It creates no new bureaucracy. It costs $27 million per year to administer, using the established Job Service system.

We can't do without it.

TJTC would be dead now without the leadership of Mr. Rangel and Mr. Heinz, and now Mr. Campbell too. It has had majority co-sponsorship from members of the two tax-writing committees.

You can truly say that 563,000 people got their TJTC jobs in 1984 because of you. Over 600,000 will get their jobs in 1985 because of you. Over 700,000 will get their jobs in 1986, and further years, if you help us.

Mrs. **Kennelly**. Thank you, Mr. Robison.

Ms. Fowler.

STATEMENT OF HARRIET A. FOWLER, COUNSELOR, SOUTH CAROLINA DEPARTMENT OF VOCATIONAL REHABILITATION, ALSO ON BEHALF OF THE NATIONAL REHABILITATION ASSOCIATION

Ms. **Fowler**. My name is Harriet Fowler, and I am a placement specialist at the South Carolina Vocational Rehabilitation Department. I thank you for the opportunity to speak today.

The following statement is submitted on behalf of the National Rehabilitation Association. The Counsel of State Administrators of Vocational Rehabilitation wishes to identify with the following statement as do all the divisions of the National Rehabilitation Association, particularly that division representing rehabilitation counselors.

Today I would like to say that I will be speaking to you not from the perspective of a commissioner or State administer or State office personnel, but from the perspective of a counselor who deals daily with the targeted jobs tax credit. I speak to you as a counselor and stress that the reality of this program for me is not found in statistical usage data from our State office but is found in the lives of this targeted group that have been touched and changed by this program and by the employers that have been influenced by this program.

I speak especially of the multidimensional impact that employment through the targeted credit has on the lives of this targeted group. How to convey this to you was my real frustration. How to convey to you that employees give this targeted group a chance at employment and are often willing to train unskilled and inexperienced workers because of the tax credit was again my frustration.

I have no statistics that can show that the cycle of institutionalization in nursing homes, in prisons, in psychiatric facilities is avoided or discontinued. I have no real statistics to show that governmental payment benefits or even private payment benefits are discontinued, or maybe never even started because of employment through the targeted jobs tax credit.

However, I do see this daily. These costs which the handicapped population are naturally subject to, are literally hundreds of times greater than the one time maximum of $4,500 that the employer receives through the tax credit program.

In my frustration of knowing this, but being unable to provide statistics, I wanted to bring literally hundreds of cases to you to show this situation. I was told that I could only bring a limited number, so I bring eight. And when I asked permission of these eight people to use their names for this purpose, they stated they would like to communicate their stories to you directly. Many employers did too.

I submit their stories. Theirs are the lives that are touched by the tax credit. Theirs is the important story. I ask that you scrutinize these cases and multiply these by literally thousands, again to acquire a glimpse of the vision that I see so clearly of the multidimensional beneficial effects to this target population, to the employer, and to the economy of the tax credit.

Thank you.

[The prepared statement follows:]

STATEMENT OF HARRIET A. FOWLER, PLACEMENT SPECIALIST, SOUTH CAROLINA VOCATIONAL REHABILITATION DEPARTMENT, ALSO ON BEHALF OF THE NATIONAL REHABILITATION ASSOCIATION [NRA]

Mr. Chairman and members of the House Subcommittee on Select Revenue Measures, my name is Harriet Fowler. I am a training and placement counselor for the South Carolina Vocational Rehabilitation Department. I submit the following statement today on behalf of the National Rehabilitation Association in support of extension of the Targeted Jobs Tax Credit.

I request that this statement and the attached articles be made a part of the official record.

First, Mr. Chairman, let me express the appreciation of the National Rehabilitation Association on behalf of the mentally and physically handicapped persons of this Nation and the service providers for the support given this program by you and other Subcommittee members for so many years.

I will be speaking to you from the perspective of one who actually places handicapped applicants into employment. I deal on a first-hand basis with both handicapped clients and employers in an attempt to produce a profitable placement for both. My first-hand experience, as representative of hundreds of vocational rehabilitation counselors, will be my essential message today.

I could give you many statistics from our state and from other states concerning many different aspects of the Targeted Jobs Tax Credit program, but I will not. I will not because the reality of the program is found in the people of this targeted group whose lives have been touched and changed by the program and the employers with whom these people are employed and who were influenced by the tax credit. Both the employees and the employers stated they wanted you to hear their story and theirs is the important story. This random sample of experiences of employers and target employees seems a better means and possibly the only means of conveying the multidimensional beneficial impact of the targeted jobs tax credit on the lives of the targeted group, the employer's business, and the economy in general.

It seems that these benefits spread much broader than even the original legislative intent of the TJTC. It is my understanding that the legislative intent of the TJTC was to promote the hiring of targeted group individuals, to appeal to a wide range of employers, and to impose a minimal burden (paperwork) upon the participating employers.

The TJTC certainly fulfills these purposes in relation to the targeted handicapped population, but it goes far beyond these purposes and benefits.

The really astounding impact of the program can only be measured when you view the multitude of other benefits that accrue to both target group, employers, and the economy. These benefits may have even been unforeseen or unimagined by the original sponsors of the Revenue Act of 1978 (Public Law 95-600), and could only be seen following enactment of the legislation. So often hindsight reveals negative aspects; it is rewarding that in this particular program history has displayed a surprising array of indirect attendant positive benefits.

I can tell you of these benefits. I see them daily. I can tell you that not only are handicapped citizens hired through the tax credit, but that they often have come from very expensive institutional care—from psychiatric hospitals, from prisons, etc. They often have been on disability rolls or other governmental cash payment rolls such as unemployment, SSI, SSDI, AFDC, food stamps, Workmen's Compensation, or long-term disability insurance benefits from company payment rolls. In addition to direct dollar savings from reduction of governmental financial assistance, very often this target population has come from very expensive institutionalization only a short time prior—in psychiatric hospitals, prisons, or nursing homes. I could tell you that the governmental cost of continuation in the cycle they seemed to find themselves is literally hundreds of times more costly than the maximum of $4,500 the employer received in the targeted jobs tax credit. I could tell you that the South Carolina Vocational Rehabilitation Department uses the tax credit to assist people who want to work to find employment. I could tell you that the handicapped population placed through the tax credit by our agency maintain longevity and become some of the most valued employees. I could tell you that these employees are extremely grateful for their jobs and their lives are richer by far in all areas. I could tell you that in many instances, with the advent of employment and during employment, there are no signs of the various labels of disability that these people once carried, i.e., work itself and being in the mainstream appears to be therapeutic.

I could tell you that employers were hesitant to hire these targeted applicants. Their past records whether institutionalization in psychiatric hospitals, prisons, or past psychiatric treatment, lack of communication or lack of mobility or other physical or emotional problems or combinations of these-interfered with their ever gaining consideration for employment. I could easily tell you that the tax credit was a major factor in this groups gaining access to consideration for hire and eventually employment. I could tell you that the savings from the tax credit enabled the employers to train targeted citizens on-the-job and thus help place the inexperienced, unskilled, and untrained. I could tell you that when the employers did hire and train from this targeted group, they found some of their most valued employees in this group. They discovered vast human resource potential and ability. I could tell you that the taxes returned by this group when they go to work and stay on the job return more money into the tax treasury than is spent.

I could tell you this, all of this, but I would rather illustrate to you the reality of these statements by presenting the attached statements from persons from the target group and employers. I could present literally thousands of cases like the random sample of eight presented here. I present these eight cases in which the multidimensional effects mentioned previously can become real for us. The effects can then be multiplied in terms of statistical usage. Hopefully the true impact of the program can be more easily calculated after gaining some understanding of the standard unit of measure, i.e., one person in the target group and one employer so that when larger statistics are presented, they represent a clearer reality in terms of multidimensional benefits.

Please note Kil Sun Wright who came to this country from Korea in 1981 with no marketable skills and who was trained and hired through the targeted jobs tax credit.

Please note John who had been diagnosed as schizophrenic and receiving Social Security and who became a "model" employee in his office.

Please note Jerry Driggers who had been diagnosed as totally disabled with third degree burns on 68% of his body and severe psychiatric problems. Note his return to successful employment.

Please note Jack Lockey who had been incarcerated and for whom the tax credit opened doors to employment and possibly closed the door to the road back to incarceration.

Please note Delores Watts who with a heart condition could not return to her former employment, but for whom the tax credit opened new doors to employment.

Please note James Egan who during Vietnam experienced severe psychological and drug problems resulting in suicidal tendencies and for whom the tax credit helped change the course of his life.

Please note Arthur Casterline who gave 36 years of his working life to the textile mills, who with the closing of the mills could not exist without working. At age 61 with an 80% hearing loss, emphysema, and hypertension, Arthur was able to find employment through the targeted jobs tax credit.

Please note Bruce Woodard who was unable to speak or hear and with family no longer able to support him, for whom the jobs tax credit opened the doors to productivity.

Please note that the tax credit opened doors for qualified handicapped applicants whose labels or past may have stood in their way. Notice that the tax credit was a major incentive in training. Notice that these were qualified and dependable employees who lasted on the job. Take a moment to calculate the eventual savings to the tax treasury as these citizens return to stable employment. As you read the employees' letters, please think of the degree of human potential which is maximized and put into the work force. Although incalculable, when you read the thoughts of these employees, please try to imagine the enormous advances in quality of life for these citizens.

Kil Sun Wright, John, Jerry Driggers, Jack Lockey, Delores Watts, James Egan, Arthur Casterline, and Bruce Woodard are eight of over 2,387 handicapped citizens in South Carolina alone who, in the last year, utilized the targeted jobs tax credit. Please multiply the multidimensional effects from these sample cases by the 2,387 and you may begin to imagine the enormous benefit of this program. Consider again from a national perspective and results become astounding.

My appeal is simple. This program is effective for the target group, for the employer, and for the economy and tax treasury even beyond its original legislative intent for the target group, for the employer, and in terms of economics.

Case History—Kil Sun Wright

Kil Sun Wright came to the United States from Korea in 1981. She spoke and wrote no English. Kil Sun attended Adult Education classes in order to improve her English, but even with the improvement had problems with employment. Her problems were exacerbated when she was divorced in 1983. She had no family to turn to and when she came to Vocational Rehabilitation in January of 1984 as a referral from Job Service, she was suffering from severe anxiety attacks and stress reactions.

Following provision of services, Quality Electronics was approached with a proposition to hire and train Kil Sun. The TJTC was used as an incentive to train and hire. It was effective in obtaining such a commitment for Kil Sun and Kil Sun was employed in August of 1984. Ms. Wright's and the employer's thoughts are attached.

To whom it may concern:

This is to inform you that I am a Korean lady who came to the United States in Jan. 1981. When I came I knew very little English and spoke it very poorly. But I was determined to make it on my own without government help or very little.

I went to night classes to learn English in order that I may successfully get a job to support myself. Since I spoke English very poorly, it was very hard for me to get a job. When in Korean I had a good job doing handmade craft work.

I thought when I came to the U.S. I would have that kind of job. But I can't get that kind of job easily. I am divorced in May 1983. After the divorce I had lots of problems. I had bills. I needed money. That meant I needed work very badly. Good jobs, when you speak little English, are hard to find.

My parents taught me to work hard. Saying it is necessary in order to make a living.

Many people told me when I was having it hard to go on government welfare but this was not my way.

I was not taught that.

So I went from place to place in search of work myself. Finally through God's guidance. I went to South Carolina vocational Rehabilitation Department.

I met Ms. Harriett Fowler and she introduced me to the S.C. Quality Electronics Inc. I had never worked that kind of job. They put me into training which I am really grateful.

This job is very helpful to me now. I live better. I am working for a living, and I hope I can work here for a long time. Thanks to Ms. Harriett Fowler for her help.

She helped me so very much. May God help her to stay in this kind of work helping others like me to get the right start.

I am thankful to everyone, for everything.

God Bless you.

KIL SUN WRIGHT.

QUALITY ELECTRONICS, INC.,
Columbia, SC, March 13, 1985.

U.S. HOUSE OF REPRESENTATIVES,
Ways and Means Committee, Washington, DC.

GENTLEMEN: I would like to express my company's support for the Targeted Job Tax Credit Program. This program has been very beneficial to our company. It has allowed us to hire people who have some skills and train them to work in our electronic manufacturing facility. We are a young company that is experiencing growing pains. This program gave me the extra incentive needed to hire people who would not only become trained employees but who would also be able to contribute something to help my company and our community.

We have hired a number of people through the T.J.T.C. program and the greater majority of them have worked out extremely well. One young man that was hired through this program is now our facilities technician. He operates and maintains our wave solder equipment and various other key pieces of company equipment. He has became an integral part of this business. His previous employment had been in construction which he had to give up due to a knee injury.

Another young woman, Kil Sun (Kim) Wright, who was hired through this program about eight months ago is a highly valued employee. She came on board with our company and trained on the job. It was only a matter of weeks before the assembly line supervisors were all requesting that she be placed permanently on their lines. She has a great attitude towards her work and the company and I feel that she has been an inspiration to her fellow workers.

We have two Vietnamese ladies working in our facility who came to us through this same program. They are super workers and they appreciate their jobs very much. These are just a few examples of people who have been able to be placed in jobs because of this program who might not have been able to find work as quickly without this program if they found work at all.

I support this program because it helps people to be able to help themselves and it also helps companies to be able to do more for people when there is a compensation for the company.

Sincerely,

PHILIP C. LAVOIE,
President.

CASE HISTORY—ARTHUR CASTERLINE

Arthur Casterline came to South Carolina Vocational Rehabilitation at the age 61 after being laid off with the abrupt closing of a local textile factory. Arthur had worked in the mill as a production worker for 36 years. He was to receive no retirement benefits and was ineligible for Social Security at his age. Mr. Casterline suffered from a severe 80% hearing loss, emphysema, and hypertension.

However, at our Micheline on-the-job training site (supervised by VR staff) Arthur proved himself to be an able and highly motivated worker. Services were provided during the training period.

Following provision of services, the Columbia Marriott Hotel was approached with a proposal to hire and further train Arthur as a housekeeper. The TJTC was an intergral part of the proposition. There was some natural resistance on the part of the employer, but with the help of the TJTC, Arthur was hired as a housekeeper before his 62nd birthday. Mr. Casterline's and the employer's thoughts are enclosed.

Ms. FLOWERS: This letter is to show my appreciation for the wonderful program you people have that help me and many others in the same shape.

When I first heard of the type of program that you people had I said that was just another go a round that I had been paying all my working years.

Being with out a job when you have been working and paying taxes all your life is a very hard change for me and many others.

As I was 60 yrs old, know no other trade except textiles. It was very hard for anyone to hire and retrain me. With your guidance and retraining and the wonderful instructors and leaders in the many fields of trade plus the teaching of the art to apply for a job is a great help to all of us who has been through the program.

Also many thanks go to the effort of such companys as the Marriott Hotels, Michlen Tire Co., also others who must believe in your program so much that they welcome our applications, also hire a very substantial many.

Thanking all of the people who have help a poor man hold his head up again and earn a living. I wish that I could have found such a company as the Marriott Hotels many years ago for their people are wonderful, very helpful, supportive, they much interesting in you and your job.

Without you and others I could not have found (I do not believe) another job.

Thanks a million,

ARTHUR B. CASTERLINE.

MARRIOTT HOTELS AND RESORTS,
Columbia, S.C., March 14, 1985.

Re Arthur B. Casterline.

U.S. HOUSE OF REPRESENTATIVES,
Ways and Means Committee,
Targeted Jobs Tax Credit Task Force, Washington, DC.

HONORABLE COMMITTEE MEMBERS: Mr. Arthur Casterline is a charter employee of the Columbia Marriott; he has been an employee since the hotel opened.

The Columbia Marriott Human Resources staff interviewed over four-thousand (4,000) applicants prior to opening. Many of these applicants had previous hotel and related experience; others had no experience, but they all wanted to work.

Mr. Casterline had been unemployed for over a year as a result of a layoff in the textile mill where he had worked for thirty-five years. He had no hotel experience, but had attended a Vocational Rehabilitation program which taught him janitorial services. He expressed a desire to work and a willingness to learn. After careful consideration by management, it was decided to employ Mr. Casterline. Considerations were made on the training time and loss of productivity until he reached a proficient performance level. These shortfalls would be compensated for by the Targeted Jobs Tax Credit that Marriott would receive. This was a decision we have not regretted. Now Mr. Casterline is not a tax burden but a wage-earning, tax-paying citizen. In all probability this would not have been possible without the current programs that are available.

An employer needs an incentive to take the time, expense and loss in productivity to train a new employee for a job they have never experienced. The amount received in the form of tax incentives is small in comparison to the dividends that may be realized by returning people such as Mr. Casterline to the work force.

Respectfully yours,

WAYNE NAPPIER,
Director of Human Resources, Columbia Marriott.

CASE HISTORY—JOHN [1]

John came to Vocational Rehabilitation in August of 1983 at the age of 37, having had three jobs and never having successfully held one more than one year. The client had been hospitalized four times for psychiatric care since 1980. He had been diagnosed as paranoid schizophrenic and had been seeing a private psychiatrist since 1980. The client received $554 in Social Security disability per month due to this disability. When he came to Vocational Rehabilitation, he was described as highly nervous and agitated at all times. Medical prognosis for improvement by outside practitioners was described as poor.

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[1] Client requests his full name not be used.

Following provision of services, Cherokee Construction was approached with the proposal to hire and train John as an accounting clerk (John had an associate degree in accounting). There was some resistance to do this due to the client's past work history and past psychological history. With the incentive of the TJTC, the employer decided to give John a chance and John was hired on 11/14/83. The client's and employer's thoughts are attached. (Note: This client has had no need of and has received no psychiatric care or services since beginning employment.)

CHEROKEE, INC.,
Columbia, SC, March 13, 1985.

To Whom It May Concern:

DEAR HARRIETT: It is good to have the opportunity to put into writing Cherokee Construction's opinion, which I have voiced to you often concerning the employee we hired from your agency under the targeted jobs tax credit program.

As I have relayed to you many times in the past, since John Reed was hired on 11/14/83, as an accountant, his superior performance has gained him the respect of all fellow workers and the respect and admiration not just of Lee (comptroller of the company) and I, but also recognition by the owners of the company.

In accuracy and speed, he has set a new standard in our office and his attitude is so good! John is one employee who never complains and who follows company rules "to a tee". He is always willing to take on extra work and to help his supervisor and fellow employees on a moments notice, in addition to completing all of his own work on time and very accurately. He has never had a conflict with a fellow worker (unusual in office environments!) and gets along well with others. Because of his exemplary performance, John has received four substantial raises since 11/83 and normally employees are considered for merit pay raises only at yearly review. Also because of the trust we have in his ability, we have placed him in an orientation and training role for assistant accountants.

As you know, we had reservations initially in hiring John, as evidenced by your several trips here to explain and re-explain his background and your reasons for belief in his ability. The targeted jobs tax credit certainly played a role in convincing us to give John a chance. I am so glad we did. We were the real winners, as well as John, I believe! Thank you again!

Sincerely,

CAROLINE CRAFT.

MARCH 12, 1985.

To: Harriett Fowler.
From: One of your Clients.
A Thank You for giving me a chance!
HARRIETT FOWLER,
Vocational Rehabilitation, West Columbia, SC.

To have a job is the American way! To acheive and strive for better monetary rewards is not granted in the constitution, but it has been accepted as the American way. Our jobs are our center of life, our ego extension into fruits of just labors. That is what my job means and a lot more.

For sometime, I was out of work. One avenue that was opened to me was Vocational Rehabilitation. There is where I found out about targeted jobs and the program itself. My counselor consulted various people and set-up interviews for me. The interviews finally led to a job, and with the offering of additional tax credits, I feel this helped me secure my position.

I feel this program is not only good for the client, but also gives the employer an incentive to take a chance on someone who may have fallen in their goals, or life in general. People have become categorized in our society as failures and society has accepted certain standards. I feel that State Vocational Rehabilitation, and targeted jobs, helps breakdown these barriers.

I feel for every Federal dollar spent, they are returned 10 fold and the reward is, I got my chance.

Respectfully,

A CLIENT.

CASE HISTORY—JACK LOCKEY

Jack Lockey was referred to Vocational Rehabilitation in July, 1983. He had served a three year sentence for breaking and entering when he was eighteen. Jack had always lived with his grandmother and had had little guidance in his teen years. Mr. Lockey had received a certificate in diesel mechanics from Wateree Correctional and had received the highest ratings in grades, attitude, and motivation and interactions with others. Jack had looked on his own for a job for several weeks, unsuccessfully, and related to the placement specialist that he felt that his lack of experience and past prison record placed a "road block' to any chance of employment.

Following provision of services, L-J, Inc. was called upon with a request to take an inexperienced mechanic, provide further on-the-job training and hire Mr. Lockey. The TJTC was used as an incentive. It was effective in helping to secure training and employment for Jack and Jack was hired in August of 1983. Mr. Lockey's and the employer's thoughts are attached.

I would like to say that I am very thankful for my job and for Vocational Rehabilitation finding it for me when I was a teenager. I made a mistake and served 3 years in prison. I had been trained in diesel mechanics at Wateree Correctional because I thought it was a skill I could make something of myself with. I made the highest grades in the program because I really wanted to change my life but I could not find a job on my on. I think because I had been in prison no one would trust me or believe I had just made a mistake and had changed. Someone told me to call the placement lady. I did and she brought me to an interview with Ray at L.J. He hired me two years ago and I have been working ever since as a diesel mechanic.

I am so glad to have a job. It is great to be off the streets. If you have no money and no one will hire you and there is no place to turn it is easy to get tempted. I wish everybody that got out of prison could get Rehabilitation. It would keep lots of people I know from going back and make their lives happier. I thank Miss Fowler for talking with Ray about giving me a chance.

Sincerely,

JACK L. LOCKEY JR.

L-J, INC.,
Columbia, SC, March 13, 1985.

DEAR SIRS: Approximately two (2) years ago, we were first introduced to the Job Program. We hired an individual from the program and were impressed with his ability and knowledge. The man, Jack Lockey, is reliable and hard working. His desire is certainly equal or superior to his peers.

We feel the program is good for the business community as well as to the individual.

Sincerely, L-J, Inc.

RAY TOUSSAINT,
Maintenance Supervisor.

CASE HISTORY—JAMES EGAN

James Egan came to Vocatonal Rehabilitation at the age of 33. Records stated the "patient was functioning well until he was in Vietnam as a Marine in 1968." He served until 1973 and was honorably discharged due to "psychosis." While in Vietnam visual and auditory hallucinations began, which persisted to the present. Client also described an introduction to various drugs including LSD and the hallucinogenics during this period. He was admitted in 1973 for psychiatric treatment to Speers Hospital, Newport, Kentucky. He was subsequently admitted for psychiatric treatment to a hospital in Cincinnati, Virginia in 1978, and to Bryan Psychiatric Hospital in Columbia in 1981. James had had three jobs in his lifetime. His first job in 1978 lasted ten months and he was fired. His second job in 1980 lasted about one year and he was terminated. His last job in 1981 lasted two months and he was terminated.

Mr. Egan became progressively depressed and on 2/1/82 attempted suicide. He was admitted to Bryan Psychiatric Hospital on 2/3/82 and was released to a Community Cottage and Vocational Rehabilitation on 7/28/82.

Upon receiving psychiatric and vocational services, he was placed at our Michelin training site (under VR supervision) for on-the-job training in custodial work in June of 1983.

Following provision of services, the Marriott Hotel was approached concerning hiring James and providing further training. The TJTC was an effective tool in acceptance of this proposal and Mr. Egan was hired in September of 1983 as a custodian at the Marriott.

Since that time, Mr. Egan left the Marriott for a better job as an assistant manager for a fast food chain. His present employer was not available for comment. Mr. Egan's thoughts are attached.

DEAR SIRS: As a Vietnam veteran I have encountered many problems since the war. I have been hospitalized seven (7) times for mental problems which I did not have before the war. I also have been hospitalized for drug addiction which I acquired when in Vietnam at the service of my country. I never received help from any government agency except hospitalization before I was introduced to S.C. Voc. Rehab. I had been employed by CETA twice and then lost my job as a driver for Senior Citizens under the CETA program due to a budget cut. I was unemployed for two years after that until Voc Rehab. sent me through workshop and employed me under the P.W.I. program at Michelin Tire in S.C. Then I went to work for Marriott Hotels under T.J.T.C. the Dept. of Voc Rehab. has and continues to be of great benefit and assistance to me.

I have attended college and ran into monetary and psychological problems. Even as a Vietnam veteran I did not receive full G.I. Bill rights due to a technicality on some of my service time as a reservist during training. I am very angry at the government for not helping me when I invested my life and took a chance on losing my life because of volunteering to fight in Vietnam. I have had a rough time and cannot qualify for a decent job with my mental history. I am an intelligent and able worker and the only consistent and competent help I have had in my troubles has been the S.C. Dept. of Vocational Rehabilitation. I feel that to cut the budget or reduce tools of this agency would be a disservice to the people of this state and country who are disadvantaged either financially or emotionally not to mention the veterans who answered the call of their country and now need help.

Respectfully,

JAMES L. EGAN.

CASE HISTORY—JERRY DRIGGERS

Jerry Driggers came to Vocational Rehabilitation in November of 1979. Upon graduation from high school in 1977, Jerry had been working as a floor sander with his brother. On May 11, 1979 Jerry and his brother were completing the sanding on their recent project when the furnace exploded causing a flash fire. Jerry was blasted out of the house and upon gaining consciousness, reentered the house and pulled his brother from the house.

Ninety percent of his brother's body and sixty-eight percent of Jerry's body has suffered third degree burns.

Upon gaining full consciousness, Jerry learned his brother had died twenty-five hours after the accident. Following a three week stay at the Virginia Burn Unit, the client learned his father-in-law had drowned.

Mr. Driggers began trembling visibly, stuttering, and suffered severe anxiety attacks. He was diagnosed as totally disabled and was receiving Workmen's Compensation benefits. The client stated he did not want to work.

Following services centered around psychiatric sessions and motivational counseling, South Carolina Electric and Gas Company was approached concerning hiring Jerry as he very much wanted to work there. Due to Jerry's psychiatric diagnosis and background, there was a great deal of hesitation on the employer's part. The TJTC was an incentive in helping Jerry to overcome such barriers. Mr. Driggers' and the employer's thoughts are attached.

SIRS: My name is Jerry Driggers. I now work with SCE & G thanks to one of your employees. I had been in a burn accident and had lost a brother in the same accident. When I came to the VR center I didn't know where to start to begin on the road back to work. I really didn't want to go back to work because I was feeling sorry for myself. I finally went to talk with one of the counselor's at the VR center. I finally realized that I had a lot of problems that had to be worked out. I went to see Dr. Larry Nelson because Grady Decell said he thought Dr. Nelson could help me work things out. I went for therapy with Dr. Nelson for about one year. At the same time, I had to have a new counselor, Mrs. Harriet Fowler. We worked on finding a job for me, but I was stuck on working for SCE & G. However, there were no job openings there at the time. I had to take other jobs that I just could not do. But finally a job came open at SCE & G and I have been working there for almost three years. I wrote this letter to thank you for your program. If it were not for Ms. Fowler's help and your program I would have given up long ago. I have received several promotions since then, and am happy that as a fire safety inspector I can help others avoid the same problems I have experienced.

JERRY W. DRIGGERS.

SOUTH CAROLINA ELECTRIC & GAS CO.,
Columbia, SC, March 15, 1985.

HARRIETT FOWLER,
Counselor, South Carolina Department of Vocational Rehabilitation, West Columbia, SC.

DEAR HARRIETT: This letter is in reference to Jerry Driggers who is presently employed by our Company as a Roving Fire Watcher. Jerry has been with our Company since July 1, 1982 and is presently performing satisfactory in his assigned duties. We are proud of Jerry and the obstacles that he has had to overcome.

Jerrry is a living example of how disabled citizens of our State, through hard work and determination coupled with Vocational Rehabilitation's expertise, can produce good workers who are playing a vital part in the growth of South Carolina.

Thank you Harriett and Vocational Rehabilitation, for the fine job you are doing for the State of South Carolina.

Sincerely,

CURTIS L. HAMILTON,
Coordinator—Personnel Relations and EEO Compliance.

CASE HISTORY—DELORES WATTS

Delores came to South Carolina Vocational Rehabilitation on December 30, 1985. She suffered from initial prolapse (heart condition) and from severe anxiety symptoms. She was last employed as a cook for a school district, but could not continue in employment there because of her heart condition. The client had looked for several months for other employment and was suffering from anxiety attacks due to her inability to find employment.

Following provision of services, the Columbia Marriott Hotel was approached with a proposal to hire and train Delores as a housekeeper. The TJTC was an integral part of that proposal and helped overcome any reservations centered around the heart condition. She was hired in September of 1983 and trained in housekeeping. Mrs. Watt's and the employer's thoughts are enclosed.

To Whom It May Concern:

I Delores Watts have had many experiences in my life but the greatest experience was when Voc Rehab introduced me to the Cola Marriott. I had never worked in a hotel or motel in my life. I was out of work for three years living on what I had saved up. One day a thought ran across my mind. I enroll in Voc Rehab. They may be able to help you. This was the best thing I could have done. I enroll and was given a counselor. He showed concern and interest in my situation. With 2 kids in school. My kids are my whole life. My counselor sent me to the workshop. I was there for about 3 months. I enjoyed meeting people, and listening to people with problems greater than mine. I almost became a counselor at Voc Rehab myself. I made many friends and learned many things until one day Harriett Fowler came to me, and told me they were taking 21 people to apply for a job at the Cola Marriott, would I like to go. Immediately I said yes. Harriett took us on Tuesday I filled out my application and had my first interview. I was a little nervous besides being excited. I was nervous because so many people were ahead of me. I talked with the interviewer. Time and days went by. The next week I was call in for my second interview. I was told that I had the job. I looked up at God and said Thank you. My first day at the Cola Marriott was Sept. 12, 1983. My what a long day. That was orientation. Explaining the do's and don'ts and benefits. I never knew a job to give this many benefits. I came to the Cola Marriott as a hskp. I then was promoted to a senior hskp in about 2 wks. A few months later I became P.M. Linen Room attendant and superv. I said is this me making all these advances at one point. I thought I was dreaming. Marriott makes you feel like one large family. You can learn many things working for the Cola Marriott and you meet many people if an employee doesn't make it at Cola Marriott. It's not Marriott fault it's theirs.

DELORES WATTS.

Marriott Hotels & Resorts
Columbia, SC, March 14, 1985.

Re Delores Watts.

U.S. House of Representatives,
Ways and Means Committee, Targeted Jobs Tax Credit Task Force, Washington, DC.

Honorable Committee Members: Ms. Delores Watts has been a member of the Columbia Marriott Housekeeping Staff since the hotel opened in September, 1983.

During the time the Columbia Marriott Employment Center was opening, the Human Resources staff interviewed over four-thousand applicants for three hundred positions. Many of the applicants had related experience, others had no experience, but they all were seeking employment.

Ms. Watts was one of the applicants for whom Ms. Fowler, from Vocational Rehabilitation, had arranged an interview. Ms. Watts had a strong recommendation from her counselors, good previous work experience, but *no* hotel-related experience. Management had to decide if the lack of experience and investment in training would be profitable if we hired Ms. Watts. A gentle reminder about the tax incentive of TJTC and Ms. Watts' desire to learn won out and Ms. Watts became a member of our staff.

Ms. Watts is still with us and has proven that she was worth the investment of time and expense. She has received promotions and is able to train others in doing it "our way." This probably would not have taken place had there not been the additional incentive of the TJTC programs to swing the balance of decision in favor of the many like Delores Watts who need that opportunity to prove themselves.

Respectfully yours,

Wayne Nappier,
Director of Human Resources, Columbia Marriott.

Case History—Bruce Woodard

Bruce came to Vocational Rehabilitation in July of 1984 at the age of 24. He had suffered meningitis at the age of three and could not hear or speak. He had no lip reading skills and thus no means of understanding communication other than through writing. Mr. Woodard was functioning in the borderline mental retardation range. He had no work history. He had lived with his father until the father passed away in late 1983. Since then he had lived with various relatives, none of whom felt they could continue to support him.

Following provision of services, Rachlin Furniture Company was approached concerning training and hiring Bruce as a furniture assembler. There was some resistance and question as to whether Bruce could do the job given his disability and the unknowns involved in a lack of work history. The TJTC was a major part of the proposal and was effective in overcoming these barriers and in giving Bruce a chance to prove himself. The employer's thoughts are attached. Mr. Woodard is not able to express his thoughts in written communication, but wishes that the message be relayed that he is "very happy now with his job."

Rachlin Furniture of Carolina, Inc.,
Winnsboro, SC, March 13, 1985.

Mr. Edward C. Watford, Jr.,
South Carolina Vocational Rehabilitation Department, Winnsboro, SC.

Dear Eddie: Rachlin Furniture has used the "TJTC" program currently in process and have found it a substantial economic incentive to hire the handicapped. Our most recent hire is still with us and if possible we would like to keep this type of program going.

When we begin hiring again, you can be assured we will keep this program in mind. Thank you for all your help and cooperation.

I remain,

David C. Nelson,
Executive Vice President.

Mrs. Kennelly. Thank you, Ms. Fowler.

Mr. Campbell. Madam Chairman, may I?

Mrs. Kennelly. Of course.

Mr. Campbell. Ms. Fowler, thank you for your testimony. And I think some of the examples you have brought are very worthwhile. Real experience can teach us an awful lot that sometimes statistics do not cover. And I do appreciate it.

I want to ask you something. A little earlier in another panel it was suggested that in the case of those who are handicapped, severely handicapped, that we might provide some extended tax credit or greater tax credit.

Now, in dealing with vocational rehabilitation, most of the people you deal with are those who are potentially able to be rehabilitated. But I wonder if you have any comments on whether we should look at a different type of tax credit for people who are severely handicapped in order that they might maintain a place of work after, say, a targeted jobs tax credit expired under existing law and whether you think they might ought to be treated differently than a person who is placed but capable of coming up to full productivity?

Ms. **Fowler**. I think that would certainly be beneficial, because there are certain people in the handicapped population that it is difficult to place even through the targeted jobs tax credit, who over time could probably reach full productivity. But it might be several years before full producitivity is reached. It would be much longer than the normal training time, both for the physically handicapped and especially for the severely mentally handicapped population.

Mr. **Campbell**. Thank you very much.

Mrs. **Kennelly**. Ms. Kirk.

STATEMENT OF FAITH S. KIRK, EXECUTIVE DIRECTOR, MARYLAND GOVERNOR'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Ms. **Kirk**. My name is Faith Kirk, and I am the executive director of the Maryland Governor's Committee on Unemployment of the Handicapped. And I am here today to represent that group.

We are here to strongly urge the renewal and continuation of the targeted jobs tax credit. We feel that, on the surface in these high times of deficits, that this seems an unreasonable request. But that's only on the surface. Let's look beyond the surface and realize indeed that this is a tax enhancer.

You've heard before from witnesses on this panel and others that the money that this program cost is more than offset, No. 1, by the taxes paid by individuals with disabilities who become employed, and No. 2, the fact that they removed themselves from the welfare roles, the unemployment roles, the SSDI roles, and the SSI roles. And they also help generate more income tax because they become individuals who can stir the economy. They have buying power. And this group truly has not had buying power without employment.

This in itself would be reason enough to renew the tax. We have some more data that we would like to share with you. In the short time that I had to prepare for these hearings, I contacted some facilities within Maryland to find out just how much of a marketing tool and how important this was for them in placement of individuals with disabilities. I contacted the Maryland Rehabilitation Center which is a comprehensive rehabilitation center in Baltimore, Md.

For the time of July 1, 1984, until February 1, 1985—less than 1 year—150 individuals were placed in employment. Of those 150, 149 were able to find employment because of the targeted jobs tax credit—99 percent in less than year.

I also spoke with the placement project for Goodwill Industries up in Allegany County, Md. Allegany County is one of the counties that has a very high unemployment rate. Of the 88 placements of individuals with disabilities, 83 of those individuals found employment because of targeted jobs tax credit in 1 year. And that was the period of January 1, 1984, until December 31, 1984, a large majority.

You can multiply that, as was said by a rehabilitation counselor—and I am proud to say that I am by profession a rehabilitation counselor—multiply that all over this country, and you can see that not only is this removing individuals with disabilities from the unemployment role but is giving them dignity. It is allowing them to take their rightful place in the mainstream of our society.

I also spoke with Ed Lorenz, who you heard from before, and said, "Ed, I want some real data. All these people can talk pie in the sky. I've got to give these people on this panel some real information." And Ed told me that they, in terms of looking at people with disabilities, had taken a whole group of voch rehab individuals that had been hired in the first 6 months of 1982, and they followed them over a 2-year period.

And what they found was that individuals with disabilities who were hired because of TJTC were employed for a longer period of time, on the average of 7 months longer, and that most of those individuals are still working. Not only that, they were able to find jobs at higher salaries.

I have dyslexia, and I could try to look for it here, but over a dollar more. And I have it in my testimony which you have, the written testimony.

And more importantly, when you look at what their take-home pay was over a 2-year period, their wages were $4,608 more than those who were not able to be placed under TJTC. Again, dignity, ability to go out and buy a home, live in a good neighborhood, be like everybody else is so important. Not only, as I said, are they getting the economic base, but they're being removed from AFDC, SSI, SSDI, and unemployment rolls; the program pays for itself.

This tax credit gives the rehabilitation professionals an important tool. I spend a great deal of time in my job as executive director of the Governor's committee working with the employment community. And one thing that rehabilitation is continually told, you've got to be more businesslike. When you are out there with the business community, you have to talk like them, act like them, and use their own techniques.

What does the business community do when they want to introduce a new product? They use cents-off coupons and they use free samples. OK, we've turned them around and you have allowed us to do this by using TJTC, because indeed it is a good marketing tool. It is the disabled individual with the handicap cents-off coupon. It allows us to go into that employing community that has negative attitudes—and we have years and years of negative attitudes and we have years and years of research that shows that the No. 1 factors in keeping people with disabilities out of the world of work was attitude problems.

It allows that employer who has some doubts about the unknown, the new product, to try it. They try it, they like it, and then they have a good worker.

In closing, I would like to say that the targeted jobs tax credit provides an ideal situation for all involved. The disabled person gets that edge they need to compete successfully in the job market, the employer gets that extra incentive to try the unknown entity that they have some doubts about. And the Federal Government gains added revenue since an employee with a disability becomes a taxpayer rather than a tax taker.

In closing, the renewal of the targeted jobs tax credit is a golden opportunity for Congress to let everybody win. We hope you will take that opportunity and make it happen.

Thank you very much for your kind attention to my views.

[The prepared statement follows:]

STATEMENT OF FAITH S. KIRK, EXECUTIVE DIRECTOR, MARYLAND GOVERNOR'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. Chairman; my name is Faith S. Kirk. I am Executive Director of the Maryland Governor's Committee on Employment of the Handicapped and am pleased to be here before you today to represent that organization.

We feel strongly that the Targeted Jobs Tax Credit should be renewed for five (5) years and the monitary amount increased to $10,000. We are aware that on the surface this seems to be an unreasonable request in these times of high deficits and the need to generate more tax revenue for our country. We submit, however, that the Targeted Jobs Tax Credit is really a revenue enhancer, The money loss in income tax from companies that avail themselves of the Targeted Jobs Tax Credit is more than made up by the income taxes paid by the individual disabled employee who obtained his job through the Targeted Jobs Tax Credit, and the money saved when they leave the welfare, Social Security Supplemental Income (SSI) or Social Security Disability Insurance (SSDI) rolls. Further, these individuals obtain buying power and this further stimulates the economy and creates profit which will generate tax revenue for our country. This in itself should be reason enough to renew the Targeted Jobs Tax Credit. However, we have additional data which we feel is important to consider as valid reasons for the Targeted Jobs Tax Credit being renewed.

Let's look for a minute at just two (2) Maryland facilities who have utilized the Targeted Jobs Tax Credit and the impact which it has had. In preparing for this hearing, I contacted the Maryland Rehabilitation Center in Baltimore, Maryland and talked with Mr. Billy Montgomery, Rehabilitation Supervisor, Placement Division, regarding their experience with using the Targeted Jobs Tax Credit as a placement tool in the placement of individuals with disabilities. I was informed that for the period July 1, 1984 to February 1, 1985 one hundred and fifty (150) disabled persons were placed by the Center. Of those, one hundred and forty-nine (149) were placed utilizing the Targeted Jobs Tax Credit.

I also spoke to Mr. Jay Steger, Chairperson of Allegany County Committee on Employment of the Handicapped. Mr. Steger is the Job Placement Specialist for the Goodwill Industries Placement Project in Allegany County, Maryland. This program has placed eighty-eight (88) individuals with disabilities in employment during the period of January 1, 1984 to December 31, 1984. Of those, eighty-eight (88) placements, eight-three were as a result of the Targeted Jobs Tax Credit. The majority of the placements resulted from having the Targeted Jobs Tax Credit as a marketing tool to be used with the employing community.

These placements vividly show that the Targeted Jobs Tax Credit is working. It has opened doors to employment for individuals with disabilities and it is having an impact on removing individuals with disabilities from the unemployment, welfare, Social Security Supplemental Income (SSI) rolls.

A recent study which was conducted by the Maryland Targeted Jobs Tax Credit Unit of the Maryland State Department of Employment and Training and shared with me by Mr. Ed Lorenz, Maryland State Targeted Jobs Tax Credit Coordinator, Shows that the Targeted Jobs Tax Credit is not only removing persons with disabilities from the welfare rolls, but is having a significant impact on their earning power. The study was conducted utilizing the clients of the Maryland Division of Vocational Rehabilitation who had been place in employment through the Targeted

Jobs Tax Credit. This study compared two groups of Vocational Rehabilitation clients who had been hired during the first six (6) months of 1982. The study looked at their job records and earning power over the next two years from date of hire. The two groups studied were (1) those hired utilizing the Targeted Jobs Tax Credit and (2) those hired where Targeted Jobs Tax Credit was not used. The results of this study are quite revealing. The group which was hired utilizing the Targeted Jobs Tax Credit maintained their employment for a longer period. This group worked on an average of seven (7) months longer than those who were not hired utilizing the Targeted Jobs Tax Credit. In fact, a majority of them are still working. Those hired utilizing the Targeted Jobs Tax Credit were able to obtain jobs at higher salaries. The average starting salary for the group hired under the Targeted Jobs Tax Credit was $4.08 per hour. The average for the group hired where Targeted Jobs Tax Credit was not used was $3.35 per hour. The wages for a two-year period for the group hired under the Targeted Jobs Tax Credit program were $4,608 per person higher than those hired without being able to fund employment with an employer who used the Targeted Jobs Tax Credit.

As Executive Director of the Maryland Governor's Committee of Employment of the Handicapped, I spend a great deal of time talking with employers and training the rehabilitation community how to work with the employing community. What has come through loud and clear from these talks is that the rehabilitation community must speak the employers' language and use their approaches, thus we must market the qualified disabled job applicant.

the Targeted Jobs Tax Credit is a good marketing tool. In fact, it is using what business uses. When business wants to introduce a new product (an unknown) to the buying public, they use techniques like free samples and cents-off coupons, feeling that once the custimer tries the product, they will keep on buying it. The Targeted Jobs Tax Credit is the qualified disabled job seeker's cents-off coupon. It enables the employer to try it and get over their doubts and apprehensions.

The Targeted Jobs Tax Credit provides an ideal situation for all involved. The disabled person gets the edge they need to compete successfully in the job market, the employer gets that extra incentive to try the unknown quality that they have some doubts about and the Federal government gains added revenue since the employee with a disability becomes a tax payer rather than a tax taker.

Renewal of the Targeted Jobs Tax Credit is a golden opportunity for Congress to let everyone win. We hope you will take this opportunity to make it happen.

Thank you for your kind attention to our views.

Mrs. KENNELLY. Thank you, Ms. Kirk.

Mr. Robison, you mentioned a study with 1,500 certifications on the first page of your testimony. Just in case we do not have that study, would you submit that to the committee?

Mr. ROBISON. Sure, yes.

Mrs. KENNELLY. I'll address this to you, Mr. Robison. Are you having any difficulty in getting individuals you believe to be qualified for the vocational rehabilitation category certified? Is the definition accurately targeting the right individuals?

Mr. ROBISON. Well, nobody can be that sure. But I believe that handicapped workers benefit more from the agencies serving them than any other group, that is rehabilitation agencies have been more active to use the program than anybody else.

Even then one would guess that you could get two to three times as many handicapped workers placed walking around with a voucher in hand on a job search as this program grows for other groups, particularly youth, the agencies serving them have a tremendous potential they've only begun to tab.

So I think it is a pretty good job for voch rehab, this tremendous potential.

Mrs. KENNELLY. Ms. Kirk, you talk about the product. You have the employer who has the product, knows the product, and is willing to hire that person. What about expansion to new employers?

Ms. KIRK. This is the best foot in the door that we have. Because, as I said, I can go on and on. I do speeches every day on attitude problems.

There is a fear out there. We have had years of being told that people with disabilities are evil and bad, and they can't do anything, and they're sick, and they need to be taken care of. And when you can use that tool, all of a sudden ears begin to listen. It enables you to go out there and expand with those employers who have not been familiar with it. They will listen to you. And that's all we need.

Chairman RANGEL. Why will they listen to you?

Ms. KIRK. Because you have something to offer them. Why do we sometimes try a new product?

Mrs. KENNELLY. You're saying the tax credit is what we are offering. My question is: are we relying too much on those employers that are already familiar with the program and not trying to expand the program to new employers?

Ms. KIRK. That is what I am saying. We are going out to the new employers. It's enabling us to expand and get to a whole group of employers that we haven't been able to. It's one more marketing tool in a whole array of marketing tools that the rehabilitation professional needs in their bag.

Mrs. KENNELLY. Any one of you can answer this question. Some of the witnesses here earlier suggested that the incentive is a little backwards. Possibly if you could lower the incentive in the first year and raise it in the second year. Would you agree with this?

Mr. ROBISON. It's been suggested before, and I would disagree. And I would like to talk for a moment about the net credit. This wasn't in a law, but when the Treasury put out regulations, they said you can't take a credit for a person and also take the wages for a business deduction, so that portion of wages gets put back in the tax liability.

So instead of getting a maximum $3,000 credit the first year, it really works out to a maximum of 1620. It's not 50 percent. The only real effect of the employee at most is 27 percent. If you lower the incentive more than that, you do not catch their attention.

At the hiring level you need a certain incentive. And I wouldn't want to try to get it lower than that. Because all you are trying to do is get that preferential hire.

Mrs. KENNELLY. Let me just carry that one step more. As you know, we are looking at all tax incentives. What about the effect of lowering the tax incentive, making it less attractive but keeping it?

Mr. ROBISON. If I thought that it actually cost money, real money, that's certainly an option. I am absolutely convinced that it doesn't. For the adults I do not think the incentive is high enough. This bill helps because it raises the wage base.

But I know from selling this program, if you go out to an employee and say, look a maximum $4,500 in fact, you know, it is only 54 percent of that, but anyway, they perk up. And would they perk up if it was less than that? Perhaps. But it is tough enough to get these people placed. You see that so dramatically with AFDC how much you have to get the people placed that I would hope that it wouldn't be lowered.

Mrs. KENNELLY. Thank you, sir. Mr. Campbell.

Mr. CAMPBELL. Thank you.

Let me follow that just a little bit and ask you a question. As we look at the eligible groups, in your mind are all of these eligible groups equal? And should they all have the same credit?

Mr. ROBISON. The one that you would look at for possibly a different credit at first is the youth group, because they're not lasting 2 years. But something else is happening with the youth which is very important. And the youth feel we talk about teaching the person to use the job to get a better job. This job is typically 25 hours a week, and in 6 to 9 months they move on.

All our anecdotal evidence is they tend to move on to other employment, typically to a full-time job. So it is not costing more for the youth that $800 or so. And they come out equal in the marketplace. But that kind of cost, it doesn't seem worth tinkering with it.

Mr. CAMPBELL. Well, I am following up a little bit on both the testimony given earlier about the possibility of lowering the 50 to the 40. I believe Mr. Stark recommended that in his testimony. I am also following up on the question of the Chair a moment ago as to the problem we have with the budget and making tough choices.

As you know, I am a lead cosponsor of this piece of legislation and a very strong supporter of it. And I have been very very willing to expand the level, primarily keeping pace with inflation and other items as far as wages go.

But I am not going to shut my eyes to the possibility of looking at all aspects of it to see if in fact there are groups here—we heard testimony earlier and a question that I asked a moment ago of people that were severely handicapped, did they need a longer period of time? Because a person is on welfare, is 1 year sufficient for that person because they may not have any other handicap other than the fact they're on welfare? Should we treat the person that's physically and mentally handicapped the same as those on welfare?

I guess that's the question I am asking you. Should we look at these groups if we have to effect a savings overall and try to determine whether they're all in need of the exact same program or not, or would we complicate the program? Would it cause problems with employment? That is the question I am looking for.

Ms. KIRK. May I try to address that?

Mr. CAMPBELL. Yes.

Ms. KIRK. I would like to express it in two ways. If we are going to get the severely disabled to work, not only do we need TJTC, we need other kinds of programs. And I think the things we have to look at very closely is how can we use current legislation, current moneys, and current agencies to work together?

The one that I am thinking about is what we call the supported work program and/or the job coaches. And if we were able to combine moneys that are available from the targeted jobs tax credit with what we call the son of JTPA, voch rehab, voc ed, where we'd start with some of the people right in high school, use voc ed money for support, and then some of the other programs could pick it up, that would be unbelievably beneficial. And it would not put more of a burden on what we already have.

We have to look really closely at how we have these programs work together. In terms of what you were asking could you lower it, one of the things our State legislature is looking at—and in fact they will go to summer study this year—is a State supplement or State support or even piggybacking on it. Because it has been brought to the attention of the State legislation that it is indeed a way of saving revenues because of all the savings in welfare and unemployment.

Mr. **Campbell**. In other words, they would come in with some sort of match?

Ms. **Kirk**. Maybe a third year. They aren't sure how they're going to do that. And I can't give you any more information because they have not gone to summer study yet. I hope that gives you some information.

Mr. **Campbell**. Let me follow up on your State subsidies. Of course you are keenly aware that other programs that we deal with do have State matching and participation with the Federal. Do you think that's the way we should begin to look at this program long-term?

Ms. **Kirk**. I could only speak for myself, sir. And I do not want to get myself in trouble with any of my State people. I think it is something that could be studied. It might be a good idea or it might not be. But everything should be studied and be able to have the light of day.

Mr. **Campbell**. Let me ask one last question. Ms. Fowler, you deal directly with placing people?

Ms. **Fowler**. Right.

Mr. **Campbell**. How much do you think it would impact your placement if you did not have this tool to work with?

Ms. **Fowler**. It would have an enormous impact. Like the other panel members were saying, we do not have a lot to work with say between myself and that employer in terms of personal sales. And that employer is generally in business to make money. When I call him and say, "please help me place those poor handicapped worker", that appeal is not very strong. But a financial appeal is stronger.

Only a small financial appeal is needed because when they try these workers, when they try the handicapped worker, as evidenced by these cases, the stays on the job and proves to be an excellent workers generally.

My long-term success rate with the people I placed, 150 over the past year, of these, 75 percent are still on the same jobs that they were on. There are other studies, over 3-year periods and longer, showing similar results. But there are a lot of barriers.

For instance, Kil Sun Wright was a Korean lady who came to this country in 1981. She was unable to read and write and suffered from anxiety attacks. And in her letter she said she had been taught in her home to work, and she wanted to work. But there were barriers. There was the psychiatric history and there was the lack of work history, all of these kind of barriers.

But we had basically a good worker. The tax credit helped convince that employer to give her a chance.

There's Arthur Casterline, who is a mill worker who worked for 36 years in one mill until it closed down. He was 60 years old and not eligible for Social Security. So he had to work. He was getting no retirement.

He was a proven good worker. But he had an 80-percent hearing loss, was 60 years old, and had hypertension. An employer without the tax credit, you know, wouldn't touch him with a 10-foot pole. But we tried him at Micheline training site, and we knew he'd make an excellent janitor. He has been there now for over a year. And they said, do not touch this guy, he is the best janitor we have.

Those are the kinds of situations. All of the situations are very much like this. John, who had a psychiatric history, had had three jobs, and never successfully held more than one. He was 37 years old and never held one of those jobs for more than 1 year. No employer would touch him with that work history and psychiatric history.

But we brought him into rehabilitation. And rehabilitation can change people's lives, can turn them around. But how do you convince the employer that the life has been changed, that it is turned around? There is nothing but my word and the tax incentive basically.

Mr. CAMPBELL. I have to tell you that I am a big advocate of the voch rehab. And besides, when I was with the State and working with voch rehab quite a bit, I have found over the years—and I want to say this because it is almost ironic—that I have not ever found a handicapped person that didn't want to work. They always wanted an opportunity.

And I see this as an opportunity. I cannot say that of the healthy people in this country. I wish I could in a lot of cases. I have never found that of the handicapped people.

What I am really driving toward in all of this is to get in my mind whether, if we have to make any changes, we should weigh the merits for those who are handicapped either mentally or physically, against the merits in the other possible groups.

And I am wondering if we get to that point of having to differentiate, and if we should, where should we come down? And that's what I am seeking. I do not want you to answer that. I am just making a statement.

Mr. ROBISON. We've sometimes asked your staff members whether the benefit could be raised for certain groups, perhaps make room for one or two additional groups, such as 55 and over and economically disadvantaged, or young female heads of household in poverty.

We are always told, do not try to tinker with it. It is so hard to even get a 1-year renewal. Though what we suffer from the short-term renewals that we had, we would love to come up with some suggestions. But we are always told just pray to get it through.

Mr. CAMPBELL. Understand right quick, I am not interested in tinkering with it up front. I am interested in tinkering with it if you have to save it.

Mrs. KENNELLY. Mr. McGrath.

Mr. MCGRATH. I have no questions.

Mrs. KENNELLY. Thank you very much for coming today.

Next will be the American Counsel of the Blind, J. Scott Marshall, director; Opportunties and Vietnam Industrialization Centers of America, Geraldine B. Richardson; Vietnam Veterans of America, Richard F. Weidman; the American Legion, Paul Egan and James Bourie.

STATEMENT OF J. SCOTT MARSHALL, DIRECTOR, GOVERNMENTAL AFFAIRS, AMERICAN COUNCIL OF THE BLIND

Mr. MARSHALL. Mrs. Kennelly, members of the committee, I am Scott Marshall. I am director for governmental affairs of the American Council of the Blind. And we are pleased to support H.R. 983, and more importantly, to offer specific recommendations as to its improvement and expansion to better meet the needs of handicapped people and employers alike.

When I came here today, ladies and gentlemen, I was a little worried. It seems like "tax credits" is a dirty word these days on the Hill. The Treasury proposal, Bradley-Gephardt, Kemp-Kasten, I am glad to know that the people of this committee aren't necessarily willing, given our great concern for deficit reduction, to throw the baby out with the water.

I recall our President signing the resolution that created the next 10 years as the decade of the disabled back in November 1983. He said: "When we put charity and welfare before the opportunity for jobs, we miss the mark." I think that's true. And I think that as has been said here before, the targeted jobs tax credit is a "pot sweetener." It's a preferential hiring for certain groups.

And, Mr. Campbell, you were asking whether or not handicapped people should be treated any differently than the other groups. And that's a difficult question to answer. But I think I would like to say, yes. I think you alluded to it earlier, that the job opportunties for handicapped people are by far more limited because of their handicaps than for able-bodied people, pure and simple. I wish it wasn't the case, but it is true.

And accordingly, we feel that we can better use the targeted jobs tax credit as an employment tool. We feel that it has not been used to its fullest extent under current law.

Why? Well, first of all, it is complicated. We are recommending that a medical certification of handicap be an alternative to a referral from a vocational rehabilitation agency. Why should the employer have to go through two bureaucracies before he can be allowed to take this credit?

And we suggest in our statement that perhaps the filing of a certification of handicap with the employer's return should be sufficient for purposes of this credit. And it would greatly simplify the paperwork burdens for employers and employees alike.

Second, we recommend that the qualified wage be increased. And the reason for this is quite simple, I think. Many disabled people do have the necessary ability to physically perform lower-paying jobs. Others do not. Others are more suited to mental jobs that require more mental effort and capability. But yet they all suffer from the same employment barriers, the attitudes that Faith talked about earlier, the fact that handicapped people are not covered by the usual antidiscrimination laws that apply to women, racial minorities, and so forth.

I think that McDonalds would never hire me as a hamburger flipper even if you were to subsidize 100 percent of my salary. I am a lawyer. But yet going into a law firm, a small law firm, asking an employer to hire me might cause a problem in a potential employer's mind because of the extra costs involved in providing, say, an adaptive aid to access the legal research computer banks.

We are suggesting, therefore, that the credit could be expanded to be available for the purchase of such equipment as computer interface devices, vocalizers for the speech-impaired, equipment that is needed to perform a job or is needed to progress in a job.

And I think that's all a point that has to be borne in mind here. Handicapped people just do not want a job. They want a career ladder like everybody else. And unfortunately, the system, the rehabilitation system, is often ill equipped to provide technological aids needed to perform a job or to advance on a job. A lot of us pay for such equipment out of our own pockets. I wish Mr. Rangel were still here—I am sorry, sir.

Chairman RANGEL. I am here, Mr. Marshall.

Mr. MARSHALL. There is a program for providing low interest loans for high technology for disabled people in New York. That is only the beginning of solving the problem.

And we think that a tax credit to either the employer or to the individual who purchases these devices would be a great employment incentive as well as a great incentive for an individual to climb the career ladder.

Finally, the credit could also be available to the employer who retains an employee after the the onset of a disability, because termination after a disability costs us too much. It costs us too much in human terms as well as economic terms. And certainly we think that the credit can be again an important "sweetener" for the employer who decides that it is easier to retrain Joe and provide him with an adaptive aid and perhaps still keep that valuable employee on the job as opposed to laying him off and having him go through rehabilitation system.

We have draft legislation available which we would be happy to present to the committee staff or to any of your individual staffs on the tax credit idea for sensory communications aids. We would hope that you would look at our other recommendations. And we'd be happy to discuss them with you and appreciate your interest in this important matter.

[The prepared statement follows:].

STATEMENT OF J. SCOTT MARSHALL, DIRECTOR OF GOVERNMENTAL AFFAIRS, AMERICAN COUNCIL OF THE BLIND

Mr. Chairman, The American Council of the Blind is pleased for this opportunity to testify concerning reauthorization and needed improvements in the Targeted Jobs Tax Credit (TJTC). We are pleased to support a five-year reauthorization of the credit as contained in Mr. Rangel's Bill H.R. 983. In summary we make the following recommendations as more fully explained below:

(1) The TJTC has opened many employment opportunities for blind and visually impaired, and other handicapped people. It should be reauthorized.

(2) The credit should be extended to persons who have a medically determinable handicap as well as to handicapped people who are referred by a vocational rehabilitation agency.

(3) The amount of the qualified first-year wages on which the credit is based should be raised to at least $20,000 to eliminate the current disincentive to employ higher paid, more highly skilled handicapped workers, who nevertheless face barriers to employment.

(4) The credit should be available to an employer who retains an employee after the onset of a disability.

(5) The credit should also be available to employers who provided adaptive equipment or special accommodations which are necessary in order for a worker to gain or advance in employment, or to the employee who purchased such equipment.

I. TJTC SHOULD BE EXTENDED

The American Council of the Blind is this nation's leading membership organization of blind and visually impaired people in the United States. For the past 24 years we have worked to improve the lives of this nation's blind and visually impaired citizens through legislation, legal advocacy, and public education. Our members come from all walks of life and reside in all parts of the country. Some of the Council's members own businesses; others are employed in a variety of occupations including law, teaching, retailing, and data processing. Unfortunately, however, many of our members are unemployed and have encountered numerous employment barriers including the public's frequent misconceptions regarding the capabilities of blind and visually impaired persons; the unfounded fear that hiring a blind person will represent an undue financial burden because of the need to provide reading or other assistance; or simply the irrational concern of "what will my clients or customers think!", an attitude not unlike that faced by many other minority groups 20 years ago. The Targeted Jobs Tax Credit often provides the incentive some employers need to give qualified handicapped job applicants a chance for a job.

The President's Committee on Employment of the Handicapped estimates that the unemployment rate among disabled people is between 50 and 75 percent, although in few cases is unemployment due to the inability to perform work.[1] It is therefore not surprising to note that disabled people are generally low income individuals. The U.S. Census Bureau recently reported that 26 percent of working age disabled adults have incomes below the poverty line and that this poverty rate is two and one-half times that of nondisabled working people.[2] Yet today blind and other disabled people are better equipped, at least from an education standpoint, to take their rightful place in the work force. More and more children are receiving special education services at an earlier age, thereby permitting even the most severely handicapped youngsters to achieve to the maximum extent possible. Today college, vocational and other training programs are open to more blind and other disabled people than ever before, thanks in part to Section 504 of the Rehabilitation Act of 1973. Despite this progress, disabled people are still not covered by the Civil Rights Act of 1964 and therefore do not enjoy the same protections against employment discrimination available to other minority groups. The TJTC is important, therefore, to handicapped persons as an incentive to preferential hiring. Unfortunately, however, TJTC has not been used to its fullest potential to help handicapped people overcome barriers to employment. A simplified and expanded TJTC could operate to encourage particularly small businesses to hire disabled people. In addition, the credit could be used as an incentive to job retention after the onset of a disability as well as an incentive to the promotion of disabled people after initial employment.

This incentive to employing handicapped workers provided by the TJTC is extremely cost effective. In 1977 alone, this nation spent over $63 billion on working age disabled people. Of this total $47 billion was spent on welfare and other support programs; $13 billion was earmarked for medical care and only about $3 billion was paid for direct services such as vocational rehabilitation.[3] As reported in January 1985 the average disabled worker and his family received $893 per month in Social Security Disability Insurance benefits ($10,716) annually. The Social Security Administration further reports that there are 2.594 million disabled workers and 1.228 million spouses and children of disabled workers currently on the benefit rolls.[4] These Social Security figures do not, of course, include the cost of Medicare, Medicaid, Food Stamps and/or housing subsidies which may be provided to disabled people. Thus, unemployment of disabled people is costly to society as a result of the cost of support programs, not to mention the cost of lost tax revenues. Unemployment is also costly from a human perspective if qualified disabled people cannot find work and therefore are prevented from participating fully in their communities. Therefore, in these times when cutting the federal budget is necessary, the TJTC should be extended. Its small cost is far outweighed by savings to the federal government.

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[1] President's Committee on Employment of the Handicapped. quoted in Handicapped Rights and Regulations, Vol. 4, No. 7, April 5, 1983, p. 49.

[2] U.S. Census Bureau, Labor Force Status and Other Characteristics of Persons with Work Disability, Series P-23127 (1982); See also "Physical Disability and Public Policy," Scientific American, Vol. 248, No. 6, June 1983, p. 42.

[3] Physical Disability and Public Policy," Scientific American, Vol. 248, No. 6, June 1983, p. 43.

[4] Social Security Facts and Figures, Social Security Admin., January, 1985.

II. IMPROVEMENTS IN THE TJTC ARE NECESSARY

A. A medical certification of handicap should replace referral by a vocational rehabilitation agency within the definition of a targeted group

Under current law and regulations, an employer qualifies for the TJTC if the disabled person is referred by a vocational rehabilitation agency pursuant to the individual's written rehabilitation plan. In addition, approval of the state jobs services office must also be obtained in order for the employer to qualify for the credit. These steps represent an unwarranted administrative and paper work burden upon both the employer and the prospective employee.

Some handicapped job applicants, for example, those entering the job market after high school may never have received rehabilitation services from a vocational rehabilitation agency. Other prospective employees may no longer have active case files at vocational rehabilitation agencies. In order to have his/her file reopened, the disabled person may need to cut through considerable bureaucratic red tape. From the small businessman's point of view, the amount of the current credit is small compared to the magnitude of the complexities involved in qualifying for it. The appropriate vouchers and/or approvals must be obtained from two government bureaucracies: the vocational rehabilitation agency and the state jobs services office. In addition, the employer may find that the prospective disabled employee was not referred by a vocational rehabilitation agency or that the job being applied for is not contemplated by the individual's written rehabilitation plan. Finally, unless all of these eligibility prerequisites are satisfied within a relatively short time frame, the employer may find that he has hired a disabled employee but nevertheless cannot qualify for the credit.

We commend that a certification of a medically determinable handicapping condition will alleviate these difficulties and will greatly simplify administration of the TJTC. A suggested definition of the term "handicapped individual" is as follows: "an individual who has a medically determinable physical or mental impairment which substantially limits one or more of such individual's major life activities and which has lasted or can reasonably be expected to last for a continuous period of not less than 12 months." The Secretary should be empowered to prescribe regulations specifying the form and extent of acceptable medical proof which could either be filed with the return or produced by the taxpayer upon audit.

A medical certification process is currently used by the Internal Revenue Service to prove legal blindness for purposes of qualifying for an additional exemption available to legally blind persons or those claiming them as their dependents. We are unaware of any abuses associated with this certification procedure. In addition, because of the stigma associated with a handicapping condition, job applicants are generally reluctant to disclose a handicap to a prospective employer, unless there is an advantage to the prospective employee in doing so, e.g., a need for a reasonable job accommodation or other assistance. Thus, a medical certification procedure carries with it a built-in safeguard against abuse and will operate particularly in those cases in which the employer needs a hiring incentive the most; namely, situations in which the prospective employee needs a job accommodation or other assistance. Adoption of this recommendation will also greatly simplify the paper work burdens connected with the administration of the TJTC to the benefit of both employers and employees.

B. The amount of the qualified first-year wages should be increased, thereby encouraging employment of more highly skilled disabled workers

We recommend that the amount of the first year's qualified wages should be increased from $6,000 to $20,000. This means that the cost to the Treasury for the TJTC would be a maximum of $10,000 before adjustment as a result of the employer's tax rate and salary expenses. Given the cost savings in Social Security and other benefits, the net effect to the Treasury would most certainly be in the plus column. If the first year credit amount were raised, the second year credit could be eliminated since training and other assistance would generally be provided during the first year. Adoption of this recommendation will also encourage employers to hire more highly skilled disabled people. As noted earlier, many blind and other disabled people are now graduating from college or other vocational programs. These individuals face numerous employment barriers, yet the amount of the qualified wages on which the credit can be taken is currently only $6,000--less than the minimum wage. The current TJTC encourages employers to hire minimum wage employees but is not as significant an incentive to hire more highly skilled workers who face the same employment barriers. In addition, while some disabled people may be physically able to perform some types of lower skilled minimum wage jobs, other individuals may be more suited to jobs involving greater mental effort and less physical activity. Thus, the amount of the first year qualified wages on which the credit is calculated should be increased in order to permit the same employment incentive to operate for both low and higher paid workers.

III. THE TARGETED JOBS TAX CREDIT COULD BE USED TO ENCOURAGE JOB RETENTION AND UPWARD JOB MOBILITY

Under current law, the TJTC is available only for new hires and does not assist the employer faced with an employee who becomes disabled after initial employment. Large corporations are in a much better position than the small employer to accommodate employees' needs after they become disabled. This accommodation may include simple job restructuring, retraining or the provision of an adaptive aid. Such accommodations can involve some cost to an employer which may be particularly burdensome to the small businessman. The employer may either incur the expense on behalf of the employee, require the employee to bear the cost, or simply may terminate the employee. Termination of a worker causes untold frustration and anguish to the worker and his or her family, not to mention the societal cost of welfare and unemployment benefits.

We recommend that the TJTC should be available to employers who retain an employee after the onset of a severe disability. Given the present job market, employers may find it easier to simply terminate a disabled employee and to replace him/her with another worker, particularly in lower skilled jobs. Availability of the credit in these situations may help to avoid this all too often tragic consequence of a disability.

We further recommend that the TJTC can be used as a tool to encourage acquisition of employment and upward job mobility of disabled workers. The credit would be used to make it more attractive for employers to purchase adaptive aids such as magnifiers or special computer interface devices needed for a disabled person to perform or advance on a job. Here again the small business employer may not be in a position to provide adaptive aids for an employee. Rehabilitation agencies, faced with frozen budgets and ever increasing demands for services, are frequently unable to make expenditures for high technology on an individual basis or are unable to provide assistance after the initial placement has been made. Although many disabled employees purchase their own aids using their own funds, others cannot afford to do so. Alternative financing arrangements such as loans or foundation assistance are also very limited. Thus, we need to explore ways in which the TJTC can be used to assist disabled people to progress not only into a job but also along the career ladder. The American Council of the Blind would be pleased to present draft legislation for review by Committee staff relative to the use of tax credits for the purchase or lease of adaptive aids needed for employment or education.

IV. CONCLUSION

The American Council of the Blind looks forward to working with the Committee to develop these and other proposals presented today as the reauthorization of the TJTC continues. Since most working people in the United States are employed by small business, we must focus on how the TJTC can better be utilized by this largest group of employers. We also believe that blind and other disabled people face unique employment barriers not faced by other individuals who are also members of targeted groups. For example, a welfare recipient may not need an adaptive aid in order to perform a job. In addition, members of the other targeted groups may have a greater number and variety of jobs to choose from since these individuals are not restricted in terms of mobility, dexterity, hearing or sight. My point, Mr. Chairman, is simply this: we must continue to explore and to develop ways of encouraging employment of blind and other disabled people who face unique barriers to employment. Finally, Mr. Chairman, I think our President summed it up best in 1983 at the White House in which a proclamation declaring the next ten years as the decade of the disabled was signed. The President said on November 28, 1983, and we wholeheartedly agree "whenever government puts welfare and charity before the opportunity for jobs, it misses the mark."

Thank you for allowing us to share our views with you today.

Chairman RANGEL. Thank you so much, Mr. Marshall.

Geraldine Richardson from Bexar County.

Ms. **Richardson**. Bexar County.

Chairman **Rangel**. Ms. Robinson represents Industrial Opportunities Centers of America. We thank you. I see you have my dear friend, Mr. Dawkins with you.

We welcome your testimony on behalf of Reverend Sullivan.

Reverend **Dawkins**. My name is Maurice Dawkins and I am here on behalf of Rev. Leon Sullivan to introduce Geraldine Richardson from San Antonio, Bexar County, TX, OIC, and also to express for Reverend Sullivan his appreciation for your leadership in pioneering in 1978 the original legislation that made the disadvantaged youth and in general of the opportunity to take advantage of the tax credit would.

I also must say that Reverend Sullivan would like the record to show that OIC is going to enthusiastically enforce and support the new Rangel bill of 1985. And we want you to know that all 30 States of OIC's are going to be enthusiastically involved.

Chairman **Rangel**. That is terrific.

Reverend **Dawkins**. Finally, Reverend Sullivan wants to introduce his full testimony.

And I am so proud of Geraldine Richardson and Bexar County because they have been putting into practice the things people theorize about. And she will tell you what her experiences have been.

Chairman **Rangel**. We are pleased to hear from her.

STATEMENT OF GERALDINE B. RICHARDSON SPECIAL PROGRAMS COORDINATOR, BEXAR COUNTY TX, OPPORTUNITIES INDUSTRIALIZATION CENTER, INC., ON BEHALF OF OPPORTUNITIES INDUSTRIALIZATION CENTERS OF AMERICA

Ms. **Richardson**. Thank you. I am from Bexar County Opportunities Industrial Centers of America, known as BCOIC, which is located in San Antonio, TX. I am representing the Opportunities Industrialization Centers of America, called OIC's of America, a nonprofit community based organization founded by Rev. Leon Sullivan in 1964 in Philadelphia, PA.

The purpose of OIC's of America is to help economically disadvantaged youths and adults to receive skill training, counseling, referral, and job placement services to enter into the labor market and to reduce the number of people on welfare. There are 95 OIC affiliates throughout the United States. I am here to testify on behalf of the Targeted Jobs Tax Credit Program known as TJTC, the importance of it as it relates to participants that OIC serves and the impact it has on the community and private businesses and industries.

A recent survey of the OIC's of America has proven that TJTC is a very valuable, workable, and a much needed program to help not only the employers but also the potential employees. The random sample survey of OIC's of America during the period from July 1, 1984, to February 28, 1985, revealed these findings.

There were 2,156 TJTC eligibles placed in employment. In the various categories 32 percent were youth ages 18 to 24, 6 percent were ex-offenders, 3 percent were handicapped, 17 percent were AFDC recipients, 6 percent were SSI recipients, and 36 percent received general assistance. The job retention rate was 75 percent; 75 percent had also received upper mobility with the employers.

Companies, regardless of their size, will be hiring TJTC eligibles. Several companies requested applicants who were specifically TJTC eligibles. In San Antonio, TX, the following data that certified and placed in employment. There were 858 TJTC eligibles placed in the labor market; 87 percent were youth, ages 18 to 24; 0.042 were Vietnam era veterans; 0.004 percent were ex-offenders; 0.02 percent were summer youths, ages 16 to 17; 0.003 percent were handicapped, and 0.06 percent were AFDC recipients. The retention rate was 75 percent.

To cite an example of upper mobility, 10 TJTC eligibles were placed with the same company in San Antonio and at an average starting salary of $3.90 an hour, and are currently earning $4.49 an hour after being employed for 6 months.

Some of the advantages of TJTC are it is cost effective because it offsets training costs for the employer, it increases the employment opportunties for a special targeted group, it provides a financial tax break to all private business and industries regardless to their size. It increases the job retention rate of employees because the employer has an vested interest.

It encourages employers who hire economically disadvantaged individuals who ordinarily would not be considered for employment. It reduces the number of people on welfare by placing them in the labor market. Smaller companies are able to increase their productivity at minimal cost and enlarge their staff by hiring TJTC eligibles.

It allows an employee an opportunity for upward mobility. Employees who are TJTC eligible become tax paying citizens instead of permanent welfare recipients.

For OIC's it is a vital part of job placement activity. And it enhances the linkages of community based organization with the private sector.

In some areas of the United States, TJTC is ineffective and sometimes not implemented due to several factors. Some of the methods the administration used by the voucher and certification agencies, modifications of a qualification procedures, which is my exhibit A, noncompliance of the policies and procedural guidelines established by the U.S. Department of Labor, which is exhibit B. Exhibit C shows the effects of TJTC on the U.S. Treasury. And exhibits D and E show the effects of TJTC on an average employer.

In closing, I would like to ask that you give favorable consideration to the extension of the TJTC Program. It is indeed a worthwhile program because it helps both the employer and the employee. On behalf of Rev. Leon Sullivan and the OIC's of America, I thank you for allowing me this opportunity to defend on behalf of the possible extension of the TJTC Program.

And the spelling of Bexar is B-a-x-e-r. It is a Spanish pronunciation. So it is spelled currently.

[The prepared statement follows:]

STATEMENT OF GERALDINE B. RICHARDSON, SPECIAL PROGRAMS COORDINATOR, BEXAR COUNTY (TX) OPPORTUNITIES INDUSTRIALIZATION CENTER, INC., ON BEHALF OPPORTUNITIES INDUSTRIALIZATION CENTERS OF AMERICA

Good morning, I am Geraldine B. Richardson, Special Programs Coordinator from Bexar County Opportunities Industrialization Center, Inc., known as BCOIC, located in San Antonion, Texas. I am representing the Opportunities Industralization Centers of America, called OICs of America, a nonprofit community based organization [CBO] founded by Rev. Leon H. Sullivan in 1964 in Philadelphia, Pennsylvania. The purpose of OICs of America is to help economically disadvantaged youths and adults to receive skill training, counseling, referral and job placement services to enter into the labor market, and to reduce the number of people on Welfare. There are 95 OIC Affiliates throughout the United States.

I am here to testify on behalf of the Targeted Jobs Tax Credit Program, known as TJTC, the importance of it as it relates to participants that CBOs serve, its impact on the community, and private businesses and industries.

A recent survey on the OICs of America has proven that TJTC is a very valuable, workable, and a much needed program to help not only the employers, but also, the potential employees.

The Random Sample Survey of OICs of America reflecting the period from July 1, 1984 to February 28, 1985 revealed these findings:

I. There were 2,156 TJTC eligibles placed in employment. In the various categories of the TJTC eligibles; A. Thirty-two (32) percent were Youth ages 18-24. B. Six (6) percent were Ex-Offenders. C. Three (3) percent were Handicap. D. Seventeen (17) percent were AFDC Recipients. E. Six (6) percent were SSI Recipients. F. Thirty-six (36) percent received General Assistance.

II. The Job Retention Rate was 75 percent.

III. Seventy-five (75) percent had also received upward mobility with the employers.

IV. Companies, regardless to their size, were hiring TJTC eligibles.

V. Several companies requested applicants who were specifically TJTC eligibles.

In San Antonio, Texas, the following data reflects the number of applicants that have been TJTC certified and placed in employment. There were 858 TJTC eligibiles placed in the labor market

(A) Eighty-seven (87) percent were youth ages 18-24. (B) Point zero four (.04) percent were Vietnam Era Veterans. (C) Point zero zero four (.004) percent were Ex-Offenders. (D) Point zero two (.02) percent were summer youths ages 16-17. (E) Point zero zero three (.003) percent were handicap. (F) Point zero six (.06) percent were AFDC recipients.

The Retention Rate was 75 percent.

To cite an example of upward mobility, ten (10) TJTC eligibles were placed with the same company in San Antonio at an average starting salary of $3.90 per hour, and are currently earning $4.49 per hour, after being employed six (6) months.

Some of the advantages of TJTC are: (1) It is cost effective because it offsets training cost for the employer. (2) It increases the employment opportunities for a special targeted group. (3) It provides a financial tax break to all private businesses and industries, regardless to the size of the company. (4) It increases the job retention rate of employees, because the employer has an invested interest. (5) It encourages employers ot hire economically disadvantaged individuals who, ordinarily, would not be considered for employment. (6) It reduces the number of people on welfare by placing them in the labor market. (7) Smaller companies are able to increase their productivity at minimal cost and enlarge their staff by hiring TJTC eligibles. (8) It allows an employee an opportunity for upward mobility. (9) Employees who are TJTC eligible become "TAX PAYING" citizens instead of permanent welfare recipients. (10) For CBOs, it is a vital part of job placement activity. (11) It enhances the linkages of community based organizations with the private sector.

In some areas of the United States, TJTC is ineffective and sometimes not implemented due to several factors, some are: (1) The method of administration used by the Vouchering/Certification Agencies. (2) Modification of the qualification procedures (Exhibit A). (3) Non-compliance of the Policies and Procedural Gudelines established by the U.S. Department of Labor (Exhibit B).

Exhibit C shows the effects of TJTC on the US Treasury and Exhibits D and E show the effects of TJTC on an average employer.

In closing, I would like to ask that you give favorable consideration to the extension of the TJTC Program. It is indeed a worthwhile program because it helps both, the employer and the employee.

On behalf of Rev. Leon H. Sullivan and the OICs of America, I thank you for allowing me this opportunity to testify for the possible extension of the TJTC Program.

Chairman RANGEL. Leave it to the State of Texas.

Thank you, Ms. Richardson, and thank you, Reverend Dawkins. Please give my best to Reverend Sullivan for his outstanding leadership. He has created many job opportunities.

From the Vietnam Veterans of America, Richard Weidman, the director of government relations.

STATEMENT OF RICHARD F. WEIDMAN, DIRECTOR OF GOVERNMENT RELATIONS, VIETNAM VETERANS OF AMERICA, INC.

Mr. WEIDMAN. Thank you, Mr. Chairman.

Vietnam Veterans of America appreciates the opportunity to present our views here this morning. And we would like to applaud your leadership in moving to strengthen and extend the targeted jobs tax credit.

When the legislation first came into being back in 1978, I might add it was very difficult back in 1979 to 1980 to sell, if you will, the TJTC. One of the primary assets that TJTC has today is the fact that it has been in existence now for 6 or 7 years. It's very familiar to the employer community which makes it possible to sell it, use it as an incentive that is viable to employers, even those who may not have participated before.

We feel that for Vietnam veterans, it is extremely useful, particularly when used in conjunction with the Emergency Job Training Act which we have every reason to believe will also be extended.

We would urge you to fight very hard, as I know you will, Mr. Chairman, for a full 5-year extension. It is the longevity of the program that makes it, once again, so useful.

We also applaud your efforts to change the income requirements adjusting to a more realistic level the definition of economically deprived, as well as a number of other modifications of the program. We do not believe that TJTC is a panacea for Vietnam veterans. But it once again, as has been stated here by other individuals representing other groups today, it is in fact a very useful tool particularly for Vietnam veterans in getting the foot in the door to the interview.

Frankly, we think that the benefit of the program goes far beyond the 29,000 certifications in the United States last year. Oftentimes a voucher helps in just getting through the door, and getting that interview. In many cases, the employer never actually applies for certification to take the credit, and so it costs the Treasury nothing.

It—the voucher—is in fact a way of gaining the attention of the employer in order that the employer might be reasonable and pick up a valuable employee.

The one suggestion that we would make to you, Mr. Chairman, to think about including, is a broadening of the definition to not only encompass all economically disadvantaged Vietnam-era veterans but all veterans who served in Vietnam. In our written testimony—and I am not going to go into that now because that's another entire story—VVA addresses the lack of a consistent Federal responsibility to the employment problem of Vietnam veterans for the last 15 years.

And we believe that if you expanded it (TJTC) to serve all Vietnam veterans, it would be particularly useful in the readjustment problems seen in the vet centers around the country. This is particularly true of high minority concentrations where employment is the No. 1 problem that veterans are speaking to when they walk into the vet centers around the country, which gets in the way of a full adjustment.

So I want to thank you again, Mr. Chairman.

[The prepared statement follows:].

STATEMENT OF RICHARD F. WEIDMAN, DIRECTOR OF GOVERNMENT AFFAIRS, VIETNAM VETERANS OF AMERICA, INC.

Mr. Chairman, Vietnam Veterans of America [VVA] appreciates the opportunity to present our views to you and your esteemed colleagues here this morning. VVA is grateful to you for your leadership in preserving and enhancing the Targeted Job Tax Credit (TJTC) and other useful programs to promote and assist in the full readjustment of our nation's younger veterans. Vietnam Veterans of America is strongly in favor of H.R. 983, which would extend the targeted jobs tax credit for five full years and realistically adjust the definition of economically disabled families.

BACKGROUND

Unemployment among men and women who served in the military during the Vietnam war is a persistent problem which has never been meaningfully addressed in a consistent manner. Unemployment (and underemployment) among Vietnam veterans has consistently been higher than that of those in our cohort group who did not serve. Far from diminishing over a period of years, the unemployment rate of Vietnam veterans reached an all time high almost exactly two years ago, in early 1983, of almost a million veterans of the Vietnam War period of service unemployed, according to the official figures from the Bureau of Labor Statistics. This means that more than one in ten persons who served during Vietnam was unemployed at that time. There are today approximately one half million Vietnam veterans unemployed.

In order to place these figures in perspective, it is important to understand some historical perspectives. By late 1948, the unemployment rate of World War II veterans was less than half that of their non-veteran peers (less than 2% vs. just over 4% for non-veterans), and this historical trend continued from that time forward, as these veterans were enabled to establish good work histories by virtue of a strong economy, an attitude of acceptance and respect by American society at large, and a plethora of fully funded readjustment programs available to them, including a GI Bill for educational advancement that allowed them to prepare to enter a receptive economy at a higher level. This is in sharp contrast to the Vietnam veterans discharged in the late sixties and early seventies into a hostile society, with a weak economy, and a GI Bill which was totally inadequate, at least until 1974-75.

It is the contention of Vietnam Veterans of America that the difficulties in obtaining and holding meaningful employment are much more severe among veterans who actually served in Vietnam, especially those who served in a combat military occupational specialty [MOS]. At the urging of VVA and the veterans service organizations, and particularly due to the leadership of our colleague Mr. James Bourie and The American Legion, we should finally have available sometime in April nationwide statistics on the unemployment rate of combat veterans and disabled veterans. While VVA is pleased that this is now occurring, we would point out that this April marks the tenth anniversary of the end of the Vietnam era, and that it is twelve years since the last combat units came home. We would suggest that this is not exactly a timely response on the part of the Federal government.

Unfortunately, the history of various programs designed to assist Vietnam veterans in securing meaningful employment is to announce a new initiative, underfund the program, discover and overcome program flaws, and then abruptly end the program. This "start/stop" approach has exacerbated recurrent employment problems for Vietnam veterans that, in addition to cyclically being deemed 'critical', is on the cusp of being permanent and chronic.

TJTC IS AN ESTABLISHED USEFUL TOOL

The Targeted Jobs Tax Credit is not a panacea for Vietnam veterans. It is, however, an extremely useful tool in helping veterans "get their foot in the door" for a chance at a position. VVA would suggest that the value of the program is greater than is reflected in the 29,000 certifications reported last year. Often a voucher is enough to gain the crucial interview, so that the veteran can sell him or herself to the potential employer. VVA feels that TJTC is an especially useful tool when used in conjuction with the Emergency Veterans Job Training Act, created under PL 98-77, which is also before the 99th Congress for renewal. One of the central features of TJTC that makes it such a valuable tool is that it has been in existence since 1978, and the "word of mouth" in regard to this program among employers is extremely positive. Employers are not afraid of being ensnared in lengthy paperwork or someone telling them how to run their business. Unlike most tools available to the employment counselor trying to help a veteran secure meaningful work TJTC has been in existence long enough to be familiar to employers, and not raise apprehensions.

TJTC ESPECIALLY USEFUL IN READJUSTMENT OF BLACK VETERANS

Vietnam Veterans of America would be remiss, Mr. Chairman, if we did not note that meaningful employment is vital to a full readjustment of Vietnam veterans. In American society, one's sense of self-esteem is inextricably interwoven with being able to find and keep a decent job. The Vet Centers operated by the Readjustment Counseling Service of the Veterans Administration cannot fully do their job without an employment component. A majority of the Vet Centers report that more than 40 percent of veterans seeking assistance list employment needs as their number one priority. It is our contention, after speaking with many veterans counselors across the country (in addition to what members and leaders within VVA tell us), that employment problems in THE issue among black and hispanic verterans, to such a degree that other problems pale by comparision. As noted above, we do not believe that TJTC is a panacea, but it is a useful tool that should be strengthened and extended for the full five years. The only additional refinement VVA would advocate at this time, beyond what is contained in H.R. 983, is that the act not only encompass all "economically disadvantaged Vietnam-era veterans", but all veterans who served in Vietnam.

SUMMARY

In summary, Mr. Chairman, Vietnam Veterans of America [VVA] applauds your ledership in moving to strengthen and extend the Trargeted Jobs Tax Credit. VVA fully supports H.R. 983, and stands ready to assist you in your efforts in any way we can. The targeted jobs tax credit is a useful tool in assisting Vietnam veterans to gain employment, and to do so at minimal cost to the Federal Treasury. Helping the veteran to find a decent job is vital to successful readjustment counseling. Every useful tool available is needed to assist in securing employment for Vietnam veterans, especially for black and other minority veterans.

Mr. Chairman, Vietnam Veterans of America thanks you for allowing us to present our views here today.

Chairman **Rangel**. We will ask the staff to give us a reading on the additional costs involved. Were you suggesting those who served in Vietnam or those who served in the service during the Vietnam era?

Mr. **Weidman**. Those who served in the Vietnam theater. A study which was funded by the Department of Labor which documented what many of us have been maintaining for a long time; namely, that the unemployment levels and employment difficulties experienced by individuals who served in Vietnam, particularly those were combat MOSs is significantly more distressing than those who served in the era—that is, in the military at the time, but not actually in Vietnam—and longer periods of unemployment. Family income of Vietnam veterans versus Vietnam era veterans is 60 percent of their counterparts, et cetera.

So we think it documents it. And we will have for the first time, in April, nationwide statistics which will allow us to extrapolate this California study.

[The following was subsequently received for the record:]

VETERANS EMPLOYMENT AND TRAINING SURVEY

Report of Findings

A Survey of California's Unemployed and Underemployed Vietnam Era,
Disabled and Recently Separated Veterans

Prepared for the California Employment Development Department

by

The Center for Community Economics, Inc.

P. O. Box 378

Santa Rosa, CA 95402

August, 1984

Acknowledgements

During the course of events through which a survey such as this passes, many agencies and individuals contribute their time, energy, technical knowledge and expertise toward its completion. We gratefully acknowledge the invaluable assistance provided by all. Although there are others also deserving of mention, the contributions of the following individuals and agencies must not be left unstated. Responsibility for coordinating this effort at the California Employment Development Department (CEDD) has been vested in a succession of individuals. The initial impetus was provided by Mark Sanders, Chief Deputy Director of Operations, who recognized the need for obtaining current and accurate data from veterans themselves, data to be used to tailor specific programs to address the unique employment and training needs of Vietnam era, disabled and recently separated veterans.

We are especially grateful to John Healy, then Interim Deputy Director of Job Service and Benefit Payments Branch, who provided unqualified and decisive leadership while representing the project within CEDD. Through his early discussions with Glen Halsey of CEDD and Dennis K. Rhoades, then with the Veterans Administration, a plan for gathering such data was developed. Through all stages of the survey, Glen Halsey, the project officer and liaison between Center for Community Economics (CCE) and the field offices, coordinated the project for CEDD. Without his knowledge of the system and ability to make it work, the survey would not have been possible. Mr. Halsey, a disabled Vietnam veteran who possesses a sensitive and thorough grasp of veterans employment problems and programs, gave the project a total commitment.

The Disabled Veterans Outreach Program Staff (DVOP's) and Local Veterans Employment Representatives (LVER's) played a major role in the CEDD portion of the survey, interviewing veterans in the field offices. It was their ability to explain the intent of the survey that made the difference between willing cooperation to provide accurate information and resistance to participate.

The project was funded by the Department of Labor/Veterans Employment and Training Service (DOL/ VETS), who have primary responsibility for implementing the veterans portion of the Job Training Partnership Act (JTPA). Joseph Molinari, Regional Director of DOL/VETS and Ronald Miller, State Director of DOL/VETS acted as liaison with the Department of Labor, overseeing the contracting process, thus enabling the project to continue without unnecessary delay.

The Assembly Select Committee on Veterans Affairs provided support for the project from its inception. Assemblyman Richard Floyd, the Chairman and Michael Leaveck, the Chief Consultant, realizing the value of such a body of information to planning a statewide veteran's initiative, worked tirelessly to encourage veterans organizations and the legislature to support CEDD's efforts on behalf of veterans.

The survey was designed, tested and completed with the cooperation of California's community-based and traditional veteran service providers. Working through their agencies enabled us to survey the most representative population of unemployed and underemployed veterans.

Significant Findings

- Vietnam veterans are unemployed for an average of fifty weeks.

- They are unemployed on the average 22 weeks longer than those with no service in Vietnam and 31 weeks longer than the national average for all unemployed persons.

- Proportionately Vietnam veterans are represented among the unemployed Vietnam Era veterans (VEV's) surveyed to a 66% greater degree than they are represented among the national VEV population. (53% of VEV's surveyed served in Vietnam while they makeup only 32% of the national VEV population.)

- Vietnam veterans have a median household income of $5,625; 37% lower than those VEV's surveyed who did not serve in Vietnam and 80% lower than the national VEV population*.

- Proportionately there are three times as many service-connected disabled among the unemployed and underemployed than among the national VEV population (21% of the unemployed/underemployed in-country Vietnam veterans are service-connected disabled, while disabled makeup only 7% of the national VEV population).

*"Data on Vietnam Era Veterans", September 1983, Veterans Administration, Office of Information Management and Statistics.

- 75% of the veterans surveyed want training, but have no means of support while in training.
- The minimum income needed to meet basic needs while in training is $833 per month.
- 60% of those who received the GI bill for training at institutions of higher learning did not complete a college degree (AA or above).

Chapter I

Introduction

This report presents the findings of a survey project conducted for the California Employment Development Department (CEDD) by the Center for Community Economics, Inc. (CCE). The focus of the survey was the employment and training history and needs of California's Vietnam era, service-connected disabled and recently separated veterans eligible for training under Section 441 (Title IV, Part C) of the Job Training Partnership Act (JTPA). The purpose of the project was to provide CEDD with a body of information to be used when planning appropriate training programs within the state's Service Delivery Areas (SDA's) specifically tailored to address the unique employment problems and training needs of the veterans targeted for training under JTPA.

Between September of 1983 and April of 1984, personal interviews were conducted with 4,036 individuals representing a cross-section of California's unemployed and underemployed veteran population. The surveys were completed at over 200 sites throughout the entire state, including CEDD Field Offices, Veterans Administration Vet Centers, community-based veterans organizations, Veterans Administration Regional Offices, County Veterans Service Offices and the Veteran's Administration Medical Center at Menlo Park, CA.

A full description of the survey, analysis of the results and procedures followed during the project are contained in the report which follows. A sample survey and database abstract are contained in the Appendix.

Background

California has the largest veteran and Vietnam era veteran (VEV) populations in the United States. While the majority of VEV's have made a satisfactory readjustment to civilian life, a substantial number are still experiencing multiple, interrelated readjustment problems which contribute to a continuing pattern of long-term unemployment and underemployment. Some problems unique to this population are Post Traumatic Stress Disorder (PTSD) as a direct result of service in Vietnam, substance abuse problems, legal and marital problems, less than honorable discharges, low self-esteem, alienation from and mistrust of government and institutions and having to overcome a public perception of them as being losers, potentially dangerous and anti-social. Additionally, they returned to a recessionary economy (winding down commensurate with the war) without the training, skills or senority necessary to acquire employment in an increasingly competitive job market. The majority of these veterans are concentrated in major urban areas, but many have settled in rural areas where employment and training opportunities are not readily available. In addition, many veterans are disabled, likely to be minorities, married with children and approaching thirty-seven years of age.

A nationwide survey of Vietnam era veterans completed in 1980, revealed that finding a job was the most significant problem encountered since leaving the service. It further states that support for giving preference to VEV's when hiring is eroding. Evidence to that effect is that only 16% of potential employers would give in-country Vietnam veterans special preference when making hiring decisions, while only 8% would give preference to those VEV's with no service in Vietnam.*

Many past employment and training programs (particularly the Comprehensive Employment and Training Act (CETA) virtually ignored veterans despite the fact that the law provided for minimum participation rates for VEV's under certain titles. Additionally, many programs tended to be underfunded or inappropriately designed with regard for the veteran's specific employment, training and supportive service needs. Also those working with veterans at the local level oftentimes were without the skills and resources to effectively market the programs or provide necessary supportive services.

Employers, especially small businesses, have traditionally resisted federally sponsored programs. They fear being encumbered by governmental "red tape" and are skeptical of the government's ability to administer the timely reimbursement of training costs.

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*"Myths and Realities: A Study of Attitudes Toward Vietnam Era Veterans", July, 1980, Veterans Administration, U.S. Government Printing Office.

Section 441 (Title IV, Part C) of the Job Training Partnership Act (JTPA) provides for programs to meet the employment and training needs of service-connected disabled veterans, veterans of the Vietnam era, and veterans who are recently separated from military service. Programs under this section of the law are to be administered by the Secretary of Labor through the Assistant Secretary for Veterans Employment and Training Service. In the State of California these programs are implemented and administered through the local service delivery areas (SDA's).

CEDD with the support of the DOL/VETS recognizes that new information must be obtained on veterans in order to plan and develop appropriate training opportunities.

Due to limited funding and concern on the part of planners to appropriate monies effectively, support must be given to those programs tailored to the specific needs of veterans and which reflect the realistic labor needs of the private sector.

The purpose of the California Veterans Employment and Training Survey is to sample the population of unemployed and underemployed veterans and obtain an accurate and current body of information on Vietnam era, disabled and recently separated veterans. This information is intended to develop a concise profile of those veterans which will allow the state and local SDA's to assess the appropriateness of that population for JTPA and enable them to determine what programs or proposals could best serve their interests.

The survey was not intended to be a definitive profile of the total Vietnam era, disabled and recently separated veteran population; nor an in-depth assessment of the many other issues of concern to veterans, such as Post-Traumatic Stress Disorder, or a survey of the other subgroups within the veteran population. Rather, it is intended to provide the reader with a clear understanding of the employment problems experienced by veterans, particularly those who served in Vietnam.

Objectives

The goal of the survey is to provide the California Employment Development Department with a general assessment of the employment and training needs of those veterans eligible for training under JTPA as authorized under Section 441 (Title IV, Part C) of the Act.

The specific objectives of the survey for purposes of this report are:

1. To develop, test and implement a sample survey of unemployed and underemployed Vietnam era, disabled and recently separated veterans.
2. Upon return of a sufficient number of completed surveys, to edit, compile and analyze the data on a statewide basis and for each county.
3. To report to CEDD the findings of the survey and provide recommendations to address the employment and training needs of veterans eligible for training under JTPA.

Methodology

The objectives were accomplished by the following steps.

1. All current and relevant information on veterans was reviewed in order to develop the criteria for site selection. Both the intent of the Act and eligibility

criteria in the regulations were reviewed so as to design a survey instrument that would provide the necessary data on the veterans.

2. SDA's to be surveyed were selected based upon area veteran population and unemployment rate. Vietnam era veteran statistics were used since that population most accurately represents all the veterans groups targeted under JTPA and there is no current or accurate source of comparable data on unemployed, disabled or recently separated veterans. The number of surveys distributed to an area was a function of that area's Vietnam era veteran population relative to the state's total Vietnam era veteran population. All figures were computed based on a total of 4,000 surveys to be completed.

   Sixteen rural counties with a relatively small Vietnam era veteran population were excluded from the survey. However, four representative counties were selected - Madera, Nevada, Tehama, and Tuolumne.

   A CEDD field memorandum explaining the purpose of the survey and requesting the cooperation of the field offices was sent to local office managers at all selected sites.

3. After orientation was conducted for DVOP's and LVER's a preliminary survey was distributed to 13 urban, suburban and rural sites to test the survey

instrument, the interview process, comprehension of the survey instructions by the interviewers, the return rate and identify any problems in the working relationship with CEDD or with the response from the veterans.

4. Telephone and onsite follow-up with the interviewers was conducted to provide clarity where needed, assistance with the resolution of problems and to determine the need for further modifications.

5. As the preliminary surveys were returned from the test sites, they were edited for errors and omissions. A complete review of the survey process was performed, focusing on input from the interviewers and the responses of veterans in order to make appropriate modifications to the survey or to the method of implementation. At this time the final survey instrument was prepared.

6. Orientation sessions were conducted for DVOP's and LVER's at different locations around the state. The sessions consisted of an overview of veterans employment issues and programs, a review of JTPA Title 4C, and a thorough item-by-item review of the survey instrument concluding with a question and answer period. All DVOP's and LVER's were given a packet or packets containing 20 surveys, each to be completed over a three week period and returned to CCE. The number of packets were distributed per the site

selection criteria.

7. Ongoing follow-up, both by telephone and onsite, continued in order to facilitate an accurate and timely completion of surveys, resolve any problems and train new interviewers.

8. Non-CEDD sites were identified, such as County Veteran Service Offices (CVSO) and community-based veterans service organizations that were interested in assisting with the survey. Orientation was provided by mail, telephone and as part of a CVSO conference workshop.

9. Surveys were distributed by mail or in person and orientation provided to those sites not participating in an orientation workshop. Telephone contact followed to provide further explanation and technical assistance.

10. The return rate was monitored and when justified, time lines were extended in an attempt to obtain the maximum rate of return.

11. As the surveys were returned, they were edited for errors and omissions and assigned a tracking number. Incorrect surveys were discarded and replacements were mailed back to the site of completion along with reasons for rejection.

12. After editing, all survey data was entered into the

computer. The information was compiled into a data base from which abstracts were generated. The abstracts formed the basis of our analysis.

Glossary

Throughout this report we will refer to various subgroups of the veteran population and use terms which may be unfamiliar to those individuals not working in the veterans employment related field. These subgroups and terms and the manner in which we defined them are explained below:

Vietnam Era Veterans (VEV's): Those men and women who served on active duty in the United State Armed Forces during the Vietnam era - that is, between August 5, 1964 and May 7, 1975.

Vietnam Veterans: Those Vietnam Era Veterans who served in the Vietnam theater (Vietnam, Laos, Cambodia, Thailand or the South China Sea) while on active duty with the United States Armed Forces during the Vietnam era.

Disabled Veterans: Those veterans who are entitled to compensation under laws administered by the Veterans Administration, or an individual who was discharged or released from active duty because of a service-connected disability.

Recently Separated Veterans: Those veterans separated from military service within the past twelve months.

Underemployed: Specifically refers to those individuals employed less than forty hours per week. However, we realize that a person can generally be considered underemployed, regardless of the number of hours worked in a week, if his/her position is not commensurate with his/her experience, education or skill level, or if compensation is insufficient to meet basic needs or reasonable obligations. For example, an individual with a Masters degree in administration, six years experience in the health services, four dependents and can only "make ends meet" working as a school bus driver by day and restaurant manager by night could be considered underemployed.

Race (Question 8): INA means "information not available".

Number of Weeks Unemployed (Question 13): This question was asked not only to determine comparative lengths of unemployment, but to also determine whether veterans surveyed would qualify for other programs having length of unemployment as an eligibility criteria.

Family Income (Prior Year Taxable - Question 17): Eligibility for JTPA and other programs for the disadvantaged are based on income guidelines. This question allows us to determine which of those surveyed may or may not be eligible for JTPA while allowing for income comparisons.

VA On-the-Job Training (Question 19b): Inquired about on-the-job training completed through September 30, 1983, and excludes those that may be presently enrolled in the Emergency Veterans Jobs Training Act of 1983 (EVJTA).

MOS (Question 24): Military occupational specialty.

Chapter II

Survey Overview

Over 7,000 surveys were distributed to approximately 200 sites throughout the state. They were distributed primarily to local job service offices using DVOP's and LVER's as interviewers. Of the 4,200 surveys returned, 4,036 were completed. They were reviewed for accuracy and entered into the data base for analysis.

Only those unemployed or underemployed Vietnam era, disabled and recently separated veterans were surveyed. They were selected at random from walk-ins or currently scheduled caseloads of the participating agencies. The surveys were completed between September of 1983 and April of 1984.

The following is an overview of the 4,036 surveys which comprise the data base. The overview is presented in the order the survey questions were asked.

1. Profile of Veterans Surveyed.

   Of the 4,036 individuals surveyed, 3,332 (82%) are Vietnam era veterans (VEV's) with 1,765 (53%) having served in Vietnam - 1,557 (47%) had no service in Vietnam. This would seem to indicate that most of those veterans with employment problems are of the Vietnam era, with the majority having served in Vietnam; 693 (17%) have service-connected disabilities of which 373 (54%) served in Vietnam; 674 (17%) are recently separated from the service of which 76 (11%)

served in Vietnam and 44 (7%) have service-connected disabilities.

2. Average Age

The average age of the veterans surveyed is as follows:

All veterans	34 years
Vietnam era	35 years
Vietnam vets	36 1/2 years
Disabled vets	38 years
Recently separated vets	27 years

The average age for disabled veterans is slightly higher, as that group includes veterans from earlier wars. Additionally, most disabled veterans served during that period of the war when combat was heaviest.

3. Sex

95% of the population surveyed is male and 5% female. Twenty-eight (1 1/2%) women are Vietnam veterans and 66 (10%) recently separated. This difference is primarily due to two factors: a) a two percent cap on female enlistment prior to 1967, b) the military did not move to actively recruit women until the post-Vietnam era.

4. Served in Vietnam

1,765 (44%) of all veterans, over half (53%) of the Vietnam era veterans and 373 (54%) of the service-connected disabled veterans served in Vietnam.

As of September 1983, there are 8,238,000 Vietnam era veterans living (nationally) - of that figure, 2,661,000 (32%) served in Vietnam while 5,577,000 (68%) saw no service in Vietnam*.

5. Service-Connected Disability

17% of all veterans, 21% of Vietnam veterans, 16% of all VEV's and 7% of recently separated veterans have service-connected disabilities.

When compared to the national figure of 7% of VEV's receiving compensation for service-connected disabilities, the relative percentage of unemployed and underemployed disabled VEV's surveyed is two and a quarter times greater.

6. Marital Status

Forty eight percent of all veterans are married with the the highest percentage (52%) having served in Vietnam. Vietnam vets also have the highest rate of separated/ divorced at 27% and the lowest single rate (20%).

7. Average Family Size

The average family size for all categories of veterans is generally the same (around 2.6) with Vietnam veterans being slightly higher (2.8).

* "Data on Vietnam Era Veterans", September, 1983, Veterans Administration, Office of Information Management and Statistics.

The family size becomes more significant when considered with income levels in determining eligibility for JTPA.

8. Race

Of the total population surveyed 60% are white, 22% black, 14% Hispanic, 2% Native American, 1% Asian or Pacific Islanders, and 1% Filipino. There is little statistical difference in the ethnic percentages between the various categories of veterans except that the representation of blacks and Hispanics is highest among recently separated and lowest among disabled.

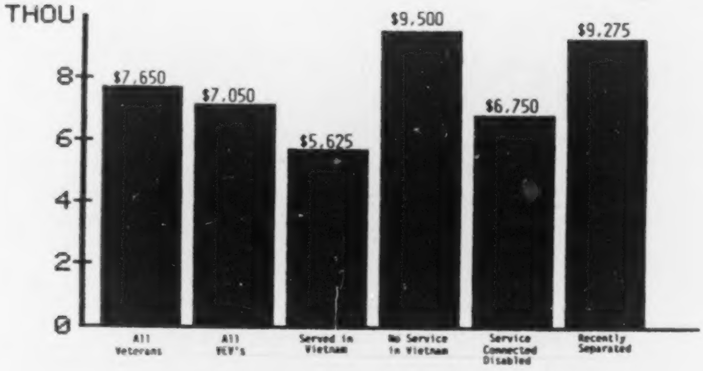
The higher rate in the recently separated may be explained by the increased recruitment effort by the military after the Vietnam era and the lack of employment opportunities for out-of-high school youth in a recessionary economy.

9. Median Household Income (Prior Year Taxable)

Median Household Income figures are as follows:

All veterans	$7,650
All VEV's	$7,050
Vietnam veterans	$5,625
VEV's not serving in Vietnam	$9,500
Disabled veterans	$6,750
Recently separated veterans	$9,275

These figures represent all taxable family income (excluding federal transfer payments) for the previous tax year.



MEDIAN HOUSEHOLD INCOME
(PRIOR YEAR/TAXABLE)

This data presents one of the most significant findings of the survey. The difference in annual income between Vietnam veterans and VEV's with no service in Vietnam is $3,875 or an astonishing 37%. The latest National VA statistics (1982) indicate the median household income for all VEV's is $28,660. The data from the unemployed/underemployed VEV's surveyed in California shows that the median household income is $7,050. This, with a significantly lower figure for for Vietnam veterans ($5,625) clearly indicates there are other factors affecting the ability of Vietnam veterans to attain meaningful career employment at a salary or wage comparable to his/her peers.

The taxable income of disabled veterans is the second lowest of all veterans surveyed. Disabled vets have unique problems with employability that have to be considered, such as the amount of disability compensation received, physical barriers, low self-esteem and the availability of special efforts to access career opportunities.

The issue of income is certainly important to consider when looking at training programs, such as JTPA, since eligibility is based on family size and income. If we were to look at the income guidelines for California, we would see that the majority of all Vietnam era, disabled, and recently separated veterans, although close to poverty levels, may not be eligible for JTPA. However, those VEV's and disabled veterans with three or more dependents could be eligible. Recently separated veterans with higher incomes and fewer dependents would not, for the most part, be eligible for JTPA.

A comparison of family income with the average statewide income criteria used in determining eligibility for JTPA provides an approximation of the population that might or might not be eligible for training under JTPA.

Although many would be eligible by income and family size criteria, especially when considering the average length of unemployment, other factors indicated by the survey may affect the ability of eligible veterans to take advantage of JTPA training programs (i.e., the need for maintenance income and other supportive services while in training).

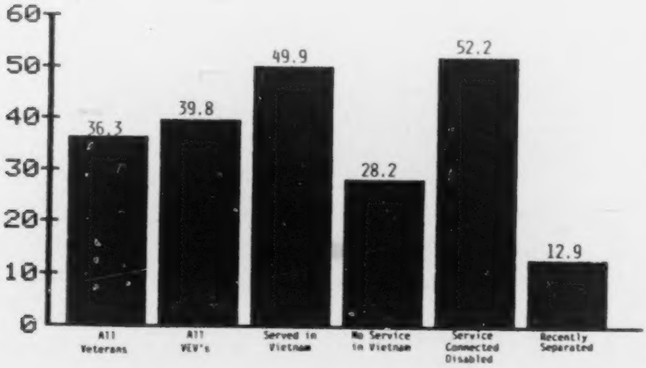
10. Unemployed and Underemployed Veterans

The survey consists of only those veterans who are unemployed or underemployed. Of the total, 91% are unemployed and 9% underemployed. The relative proportion of unemployed to underemployed shifted only slightly among all categories.

For the underemployed, among all vets surveyed, the average number of hours worked per week is 27.75 with little variance between the subcategories.

The number of weeks unemployed is as followed:

All veterans	36 weeks
All VEV's	40 weeks
Vietnam veterans	50 weeks
VEV's not serving in Vietnam	28 weeks
Disabled veterans	52 weeks
Recently separated veterans	13 weeks



AVERAGE WEEKS UNEMPLOYED

These figures would seem to indicate that Vietnam veterans experience more difficulty finding work than their peers.

At the time of the survey, the maximum period of time an individual could receive Unemployment Insurance (UI) benefits was thirty-nine weeks (which includes a thirteen week extension tied to the unemployment rate). On the average, 28% of the veterans surveyed had received UI benefits over the past year (the time period inquired about in the survey) while 72% had received none. Given that the majority of the VEV's had been unemployed for an average of 40 weeks, they more than likely had exhausted their UI benefits. If the time period inquired about had been the past year and a half or two years, it can be assumed the number having received UI benefits would be higher.

Disabled veterans surveyed are unemployed for an average of 52 weeks. This is the longest period for any of the categories, but requires consideration of other factors unique to the disabled, such as the nature and severity of the disability and the amount of compensation received.

11. Average Education

The majority of all veterans surveyed (90%) have a high school diploma or equivalent with the highest percentage among the recently separated (94%). Of all veterans surveyed 15% have a college degree (AA, AS or above) with the highest percentage among disabled veterans (19%).

Sixty percent of those using the GI bill while attending an institution of higher learning did not receive a college degree.

12. Veterans Who Have Received Public Assistance

The veterans were asked whether in the past year they had received aid to families with dependent children (AFDC), food stamps, supplemental social security income (SSI), general assistance (GA) or unemployment insurance in order to ascertain what percentage had access to some means of public assistance while unemployed. The data shows that although the percentages do not appear high, they are somewhat significant. AFDC recipients make up about 10% of those surveyed and food stamp receipients about 18% (20% for VEV's). A smaller number had received GA or SSI, 5% and 2% respectively. A substantial amount of public monies are used to pay basic support needs of veterans, monies not related to training or employability services, but necessary for those who have been unemployed for extended periods of time and have exhausted their UI benefits.

Unemployment insurance benefits, the most commonly known source of income for the unemployed, had been received by about 28% of those surveyed. This would seem to be a modest figure, since for most people, this is the only and most readily available source of income while unemployed.

13. Veterans Who Have Received Training or Educational Assistance

Of the total veterans surveyed, 39% have used their GI bill with a high of 49% among the disabled and a low of 3% among the recently separated. Forty-five percent of VEV's have used the GI bill.

The figures for direct training programs are much lower for all veterans with 3% having used VA/OJT, 4% VA/Voc. Rehab. and 8% CETA. Sixteen percent of the disabled veterans have used VA/Voc. Rehab.

14. Veterans Who Want Training To Upgrade Skills in Their Present Occupation

Almost three fourths of the veterans, (73%) want the opportunity to upgrade their primary occupational skills. These veterans indicated a desire to remain in their career fields if they could get training that would enhance advancement.

Close to 30% of the total group does not want training in their present occupation. These are veterans who wish to change careers or prefer immediate, fulltime employment.

15. **Veterans With No Means of Support While in Training**

Seventy-five percent of those surveyed stated they would have no means of support if enrolled in a training program. A lower percentage (66%) of disabled stated they would have no means of support. This is more than likely due to the fact that their disability compensation would assist in meeting their basic needs while in training.

16. **Average Monthly Income Needed While in Training**

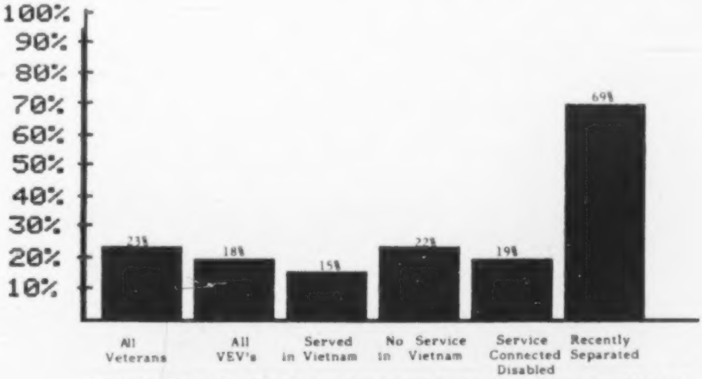
Veterans were asked what minimum monthly salary was necessary to meet their needs while in training. The interviewers were instructed to ask for the most realistic figure, one necessary to cover just the basic necessities.

The average monthly income needed for all veterans surveyed is $833, for Vietnam era veterans the amount is slightly higher at $842.

This monthly income is understood to be the minimum amount necessary to allow veterans to sustain themselves while in a training program. The JTPA does not pay stipends, so it is questionable whether these veterans will be able to take advantage of the training programs available under the Act regardless of how much of an effort is made to recruit them or how tailored the programs are to their particular career objectives. This is further supported by the fact that the majority stated they have no means of support while in training. It would appear that there is a need for stipends and/or supportive services for participants while in training.

17. Veterans Whose Present Occupation Relates to Military Occupation or Training

Veterans were asked to list their current occupation, primary military occupation and principal training received in the military. The responses were categorized by three digit codes from the Dictionary of Occupational Titles and compared for transferability. There is a 23% correlation between current and military occupation or training. Among VEV's it is 18%, Vietnam veterans 15% (the lowest of all categories) and recently separated veterans 69% (the highest of all categories).



VETERANS WITH OCCUPATION RELATING TO MILITARY OCCUPATION/TRAINING

Vietnam veterans, as with veterans of previous wars, served in combat or direct combat support roles for which there are few, if any, equivalent civilian occupations. As such, the correlation between their military training/occupation and civilian occupation is lowest. The high correlation between military and civilian occupations for the recently separated is due in part to the fact that they served during peacetime, in technical positions and have taken advantage of re-entry programs offered by the military and job service. Additionally, with recruitment down following the Vietnam war, the military made a concerted effort to attract recruits by offering training programs with a higher degree of transferability to civilian occupations.

Chapter III

Recommendations

1. Findings

Vietnam veterans are unemployed on the average almost one year (50 weeks), 22 weeks longer than Vietnam era veterans and 31 weeks longer than the national average for all unemployed persons.

Conclusion

Many Vietnam veterans have experienced prolonged periods of unemployment and have not been able to pursue their career goals, nor have they benefited from employment services.

Recommendation

A. Special programs for Vietnam veterans need to be developed which should include pre-employment workshops that assist them to evaluate various occcupations, assess their skills, plan their careers and identify supportive service needs.

B. Unemployed Vietnam veterans should be assessed on an individual basis by DVOP's and LVER's, profiling not only their job skills, but other life support needs. Additionally, they should develop individual employability plans.

C. Supportive services resources need to be identified or developed and where appropriate, veterans should be referred for training, counseling, transportation, housing or any other assistance that may be needed.

D. Develop training programs tailored to the specific needs of Vietnam veterans who may or may not be job ready, using a combination of funding sources that would provide for job readiness workshops, classroom training in a chosen career field, on-the-job training opportunities and direct placement with follow-up.

LVER's and DVOP's should work closely with veterans from intake and assessment through training, placement and followup. In addition they should maintain contact with employers assisting in resolving conflicts and ensuring the completion of the training program.

Congress should extend the Emergency Veteran's Jobs Training Act (EVJTA) for an additional three years (through 1988). This program is designed for the VEV requiring training, but is scheduled to terminate before a majority of veterans ideally suited for EVJTA job openings will be ready to participate.

2. Findings

Vietnam veterans have a taxable family income 40% lower than Vietnam era veterans.

Conclusion

This is one of the major findings of the survey and confirms that many Vietnam veterans have been unable to earn a salary comparable to their peers and are continuing to experience impediments to career advancement.

Recommendation

Conduct a more in-depth study of Vietnam veterans, taking a look at their particular circumstances in order to understand their inability to attain comparable earnings.

3. Findings

Taxable family income for Vietnam era veterans, and recently separated veterans is, when considered with the average family size, slightly above the eligibility criteria for JTPA.

Conclusion

Many veterans targeted for training under JTPA will not meet the income eligibility criteria.

Recommendation

Further study should be undertaken to determine what percentage of veterans targeted for JTPA training would not be able to participate due to the income eligibility criteria. Additionally, Congress should legislate exclusive programs for veterans which finally provide training based on a demonstrated need for the training rather than general eligibility requirements.

4. Findings

Most veterans surveyed have no source of income while in training and need a minimum of $833 a month to meet basic living expenses.

Conclusion

Most veterans will not be able to participate in training that does not provide a subsistence allowance.

Recommendation

Other sources of support should be identified for veterans in JPTA training and/or Congress should legislate changes in the Act to provide realistic stipends for veterans. Most veterans should be referred to Emergency Veterans Job Training Act job openings instead of classroom training under JTPA (assuming they are job ready).

5. Findings

Those veterans with disability ratings are a significant portion of all veterans surveyed. Seventeen percent of all veterans and 21% of Vietnam veterans are disabled.

Disabled veterans are, on the average, out of work for 52 weeks. This is the longest period for any of the groups surveyed and they are also older at 38 years of age.

Conclusion

Disabled veterans, particularly those who served in Vietnam, carry additional burdens that impede their ability to obtain meaningful employment.

Recommendation

A. Further study should be undertaken to determine the underlying factors that specifically contribute to disabled veterans having more severe problems obtaining meaningful employment. Is it a function of their degree of disability, self image, or how they are perceived by potential employers? Does the amount of monthly disability compensation affect motivation to find career employment? A further study should include in-depth interviews of disabled veterans grouped by disability ratings, and/or severity of disability (i.e., single or double amputee). Questions about trainability, motivation and self-perception might then be answered and a plan to bring them into the work force developed.

Another approach would be to train employment counselors (DVOP's, LVER's) to assess the problems of individual disabled veterans so as to provide a broader range of supportive services that meet their multiple needs, enhance the DVOP's and LVER's ability to "market" veterans to employers and increase the overall employability of disabled veterans through counseling workshops.

B. Increase efforts to utilize and expand existing programs, such as the Disabled American Veterans Employment Services (DAVES) and Centralized Applicant Referral Services (CARS). These programs refer qualified disabled veterans to federal employment openings.

C. Develop peer support groups among disabled veterans, building teams that can provide mutual support and shared resources while in training and/or seeking employment.

6. Finding

Three quarters of those surveyed indicated a desire to participate in programs that would upgrade their skills, while over 90% have not been involved in any one of the three major training opportunities for veterans (i.e. VA/OJT, VA/Voc. Rehab. or CETA).

Conclusion

Current or previous training programs are not appropriate for all veterans, nor are they reaching a majority of the unemployed and underemployed.

Recommendation

Existing programs, particularly JTPA and the new Emergency Veterans Jobs Training Act should be examined early on to ensure they don't encounter the pitfalls of prior programs (i.e., low particpation rates, high dropout rates, lack of an agressive marketing campaign, not being appropriate and/or comprehensive enough for the population they are mandated to serve or eligibility criteria being so restrictive that veterans genuinely in need of training cannot take advantage of the programs).

VETERANS EMPLOYMENT/TRAINING SURVEY

(SANTA CRUZ Co. URBAN)

Survey Completed at EDD County Code of Residence 087
(EDD, Vet. Ctr, VARO, etc.)

1. Age (ACTUAL) — 1. 36
2. Sex (enter 1 for [✓ male] 2 for female) — 2. 1
3. Dates of Service (list all periods of Service with earliest dates on top) (ACTUAL) — [illegible]/62 1/65; [illegible]/68 to 9/71 (mo / yr mo / yr)
4. Did you serve in Vietnam? (enter 1 for [✓ yes] 2 for no) — 4. [illegible]
5. If you are Service Connected Disabled, what percent? (if not Service Connected Disabled enter "n/a") (ACTUAL) — 5. 30%
6. Marital Status: [✓ 1 Married] 2 Separated, 3 Divorced, 4 Single, 5 widowed) — 6. 1
7. Family Size (including yourself, spouse, children and those you are supporting who are not living at home) (ACTUAL) — 7. 4
8. Race (1 White/Non-Hispanic, 2 Black Non-Hispanic, [✓ 3 Hispanic], 4 American Indian, 5 Asian/Pacific Islander, 6 Filipino, 7 INA) — 8. 3
9. Are you presently employed? (enter 1 for [✓ yes] 2 for no) — 9. 1
10. If employed, how many hours per week? (ACTUAL) — 10. 20
11. If employed, is work in your desired long term/career oriented field? (enter 1 for yes 2 for [✓ no]) — 11. 2
12. If employed, is work in field chosen solely to satisfy immediate short term survival needs? (enter 1 for [✓ yes] 2 for no) Note: Answer yes only if you answered no to question 11. — 12 1
13. If unemployed, how many weeks? (do not include military service as unemployed) ENTER N/A IF QUES 9 ANSWERED YES — 13. N/A
14. What is your highest grade completed in school? (ACTUAL) — 14. 14
15. Do you have a high school diploma or equivalent? (enter 1 for [✓ yes] 2 for no) — 15. 1
16. Do you have a college degree? (if [✓ yes] indicate highest degree in parenthesis) — 16. 1 (A.A)
17. What was last year's taxable family income? (ACTUAL) — 17. $7,000
18. Are you now or within the past year been a recipient of: a) AFDC NO b) Food Stamps NO c) UI YES d) SSI NO e) General Assistance NO f) SDI NO (enter 1 for yes 2 for no for each category)
   - 18a. 2
   - b. 2
   - c. 1
   - d. 2
   - e. 2
   - f. 2
19. Have you received or are you receiving:
   - a) V.A. Education Benefits YES — 19a. 1
   - b) V.A. On-The-Job Training prior to Sept. 30, 1983 NO — b. 2
   - c) V.A. Vocational Rehab Training NO — c. 2
   - d) Training under CETA NO — d. 2

(enter 1 for yes 2 for no for each category)

20. Do you want training which would upgrade skills in your usual occupation? (enter 1 for yes 2 for [✓ no]) 20. 2

21. Do you have a means of support while enrolled in a training program? (enter 1 for yes 2 for [✓ no]) 21. 2

22. What minimum monthly salary is necessary to meet your needs while in training? (enter realistic and necessary figure) (ACTUAL) 22.$ 600

WRITE OUT RESPONSES TO QUESTIONS 23 THROUGH 27. THEN CODE RESPONSES IN THE ANSWER COLUMN USING THE DICTIONARY OF OCCUPATION TITLES, THREE DIGIT CODE. *************

23. What is your primary occupation? (whether or not presently employed) SALES, AUTO 23. 273

24. What was your primary occupation in the military? (not necessarily M.O.S.) INFANTRYMAN 24. 378

25. What principal training did you receive in the military? (not necessarily your primary occupation) COOK SCHOOL 25. 315

26. What principal training have you received since separation from the military? (list only three) REALESTATE SALES - ANTHONY SCHOOL 26a. 250
b. ____
c. ____

27. For what long term career oriented occupation would you prefer training? COMPUTER PROGRAMMER 27. 007

Veterans Comments (optional)

VETERANS SURVEY PROJECT
FINAL SURVEY RESULTS
SEPTEMBER 1983-APRIL 1984

	ALL VETERANS SURVEYED	!-------VIETNAM ERA VETERANS-------! ALL VIETNAM ERA VETERANS	SERVED IN VIETNAM	NO VIETNAM SERVICE	DISABLED VETERANS	RECENTLY SEPARATED VETERANS
TOTAL IN CATEGORY	4036	3322	1765	1557	693	674
AVERAGE AGE	34.07	35.19	36.52	33.68	38.08	26.64
SEX:						
MALE	95.39%	96.33%	98.41%	94.16%	95.53%	90.21%
FEMALE	4.61%	3.67%	1.59%	5.84%	4.47%	9.79%
SERVED IN VIETNAM	43.73%	53.13%	100.00%	0.00%	53.82%	11.28%
SERVICE CONNECTED DISABLED	17.17%	16.38%	21.13%	11.05%	100.00%	6.53%
MARITAL STATUS:						
MARRIED	47.79%	50.00%	51.61%	48.17%	50.22%	41.10%
SEPARATED OR DIVORCED	23.96%	25.98%	27.42%	24.34%	25.40%	12.17%
SINGLE	27.73%	23.51%	20.28%	27.17%	23.38%	46.44%
WIDOWED	0.52%	0.51%	0.68%	0.32%	1.01%	0.30%
AVERAGE FAMILY SIZE	2.61	2.72	2.79	2.66	2.60	2.19
RACE:						
WHITE/NON-HISPANIC	59.51%	59.90%	60.85%	58.83%	61.04%	55.34%
BLACK/NON-HISPANIC	21.75%	21.55%	20.00%	23.31%	20.78%	23.15%
HISPANIC	13.75%	13.64%	13.48%	13.81%	11.83%	14.09%
NATIVE AMERICAN	2.23%	2.38%	2.72%	1.99%	2.45%	1.63%
ASIAN/PACIFIC ISLANDER	1.26%	1.20%	1.19%	1.22%	2.02%	1.63%
FILIPINO	1.39%	1.20%	1.53%	0.83%	1.73%	4.15%
INA	0.10%	0.12%	0.23%	0.00%	0.14%	0.00%
MEDIAN HOUSEHOLD INCOME (PRIOR YEAR TAXABLE)	$7650	$7050	$5625	$9500	$6750	$9275
UNDEREMPLOYED VETERANS	8.89%	7.83%	7.93%	7.71%	9.67%	9.94%
AVERAGE HOURS PER WEEK	27.75	28.18	28.76	27.41	28.53	30.74

VETERANS SURVEY PROJECT
FINAL SURVEY RESULTS
SEPTEMBER 1983-APRIL 1984
RAW DATA

		!-------VIETNAM ERA VETERANS-------!				
	ALL VETERANS SURVEYED	ALL VIETNAM ERA VETERANS	SERVED IN VIETNAM	NO VIETNAM SERVICE	DISABLED VETERANS	RECENTLY SEPARATED VETERANS
TOTAL IN CATEGORY	4036	3322	1765	1557	693	674
AVERAGE AGE	34.07	35.19	36.52	33.69	38.08	26.64
SEX:						
MALE	3850	3200	1737	1466	662	608
FEMALE	186	122	28	91	31	66
SERVED IN VIETNAM	1765	1765	1765	0	373	76
SERVICE CONNECTED DISABLED	693	544	373	172	693	44
MARITAL STATUS:						
MARRIED	1929	1661	911	750	348	277
SEPARATED OR DIVORCED	967	863	484	379	176	82
SINGLE	1119	781	358	423	162	313
WIDOWED	21	17	12	5	7	2
AVERAGE FAMILY SIZE	2.61	2.72	2.79	2.66	2.60	2.19
RACE:						
WHITE/NON-HISPANIC	2402	1990	1074	916	423	373
BLACK/NON-HISPANIC	878	716	353	363	144	156
HISPANIC	555	453	238	215	82	95
NATIVE AMERICAN	90	79	48	31	17	11
ASIAN/PACIFIC ISLANDER	51	40	21	19	14	11
FILIPINO	56	40	27	13	12	28
INA	4	4	4	0	1	0
	4036	3322				
MEDIAN HOUSEHOLD INCOME (PRIOR YEAR TAXABLE)	$7650	$7050	$5625	$9500	$6750	$9275
UNDEREMPLOYED VETERANS	359	260	140	120	67	47
AVERAGE HOURS PER WEEK	27.75	28.18	28.76	27.41	28.53	30.34

VETERANS SURVEY PROJECT
FINAL SURVEY RESULTS
SEPTEMBER 1983-APRIL 1984
RAW DATA

		!-------VIETNAM ERA VETERANS-------!				
	ALL VETERANS SURVEYED	ALL VIETNAM ERA VETERANS	SERVED IN VIETNAM	NO VIETNAM SERVICE	DISABLED VETERANS	RECENTLY SEPARATED VETERANS
UNEMPLOYED VETERANS	3677	3062	1625	1437	626	607
AVERAGE WKS UNEMPLOYED	36.34	39.80	49.97	28.22	52.21	12.93
AVERAGE EDUCATION # YEARS	12.65	12.74	12.80	12.68	12.93	12.20
H.S. DIPLOMA/EQUIVALENT	3619	2981	1601	1378	628	620
COLLEGE DEGREE	624	562	319	243	132	52
VETERANS WHO HAVE USED:						
AFDC	387	353	171	181	61	21
FOOD STAMPS	746	676	344	336	121	45
UNEMPLOYMENT INSURANCE	1116	961	485	462	157	155
SSI	95	74	42	40	24	12
GENERAL ASSISTANCE	202	179	92	87	29	16
VETERANS WHO HAVE USED:						
GI BILL	1593	1503	795	708	338	67
VA/OJT	130	122	72	50	38	0
VA/REHAB	144	128	91	40	111	2
CETA	337	301	150	151	62	27
VETERANS WHO WANT UPGRADE IN PRESENT OCCUPATION	2939	2375	1232	1142	475	545
VETERANS WITH NO MEANS OF SUPPORT WHILE IN TRAINING	3042	2498	1304	1193	456	504
AVERAGE MONTHLY INCOME NEEDED WHILE IN TRAINING	$833	$842	$844	$839	$885	$781
VETERANS WHOSE PRESENT OCCUPATION RELATES TO MILITARY OCCUPATION OR TRAINING	931	613	263	350	132	467

VETERANS SURVEY PROJECT
FINAL SURVEY RESULTS
SEPTEMBER 1983-APRIL 1984

	ALL VETERANS SURVEYED	ALL VIETNAM ERA VETERANS	SERVED IN VIETNAM	NO VIETNAM SERVICE	DISABLED VETERANS	RECENTLY SEPARATED VETERANS
		!-------VIETNAM ERA VETERANS-------!				
UNEMPLOYED VETERANS	91.11%	92.17%	92.07%	92.29%	90.33%	90.06%
AVERAGE WKS UNEMPLOYED	36.34	39.80	49.97	28.22	52.21	12.93
AVERAGE EDUCATION # YEARS	12.65	12.74	12.80	12.68	12.93	12.20
H.S. DIPLOMA/EQUIVALENT	89.67%	89.74%	90.71%	88.50%	90.62%	91.99%
COLLEGE DEGREE	15.46%	16.92%	18.07%	15.61%	19.05%	7.72%
VETERANS WHO HAVE USED:						
AFDC	9.59%	10.63%	9.69%	11.62%	8.80%	3.12%
FOOD STAMPS	18.48%	20.35%	19.49%	21.58%	17.46%	6.68%
UNEMPLOYMENT INSURANCE	27.65%	28.93%	27.48%	29.67%	22.66%	23.00%
SSI	2.35%	2.23%	2.38%	2.57%	3.46%	1.78%
GENERAL ASSISTANCE	5.00%	5.39%	5.21%	5.59%	4.18%	2.37%
VETERANS WHO HAVE USED:						
GI BILL	39.47%	45.24%	45.04%	45.47%	48.77%	9.94%
VA/OJT	3.22%	3.67%	4.08%	3.21%	5.48%	0.00%
VA/REHAB	3.57%	3.85%	5.16%	2.57%	16.02%	0.30%
CETA	8.35%	9.06%	8.50%	9.70%	8.95%	4.01%
VETERANS WHO WANT UPGRADE IN PRESENT OCCUPATION	72.82%	71.49%	69.80%	73.35%	68.54%	80.86%
VETERANS WITH NO MEANS OF SUPPORT WHILE IN TRAINING	75.37%	75.20%	73.89%	76.62%	65.80%	74.78%
AVERAGE MONTHLY INCOME NEEDED WHILE IN TRAINING	$933	$842	$844	$839	$885	$781
VETERANS WHOSE PRESENT OCCUPATION RELATES TO MILITARY OCCUPATION OR TRAINING	23.07%	18.45%	14.90%	22.48%	19.05%	69.29%

Chairman RANGEL. I was a little surprised when I returned from Korea that no one really wanted a heavy artillery MOS.

From the American Legion, Mr. Paul Egan and——

Mr. EGAN. I am Paul Egan.

Chairman RANGEL. Very good. Mr. Egan is director of the National Legislation Commission.

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

Mr. EGAN. In summary, I'll be brief. We, like everybody else—almost everyone else today—certainly appreciate your leadership in introducing this legislation. We support a 5-year reauthorization of this program unequivocally.

If increased participation by veterans over the years is a reason to reauthorize this program, it should be reauthorized.

Between 1982 and 1983 numbers of the participants rose from 13,200 to 24,000. In 1984 it is my understanding that there were 29,000 veterans participating in the program.

There is an added value, I think, that has to be recognized, although I cannot document this statistically for Vietnam veterans. And that is particularly those veterans taking advantage of the VA operated psychological readjustment vet center programs. Among the most often cited problems at the vet centers are job related problems.

And I have to believe that many of those veterans receiving counseling are in large part not ready for the kinds of employment that might be higher paying than you get under this program. But this kind of a program provides them with a foot in the door and an opportunity to develop good job habits and to move on.

We do have one recommendation that goes significantly beyond what the VVA has made. We think that eligibility should be opened up to all wartime era veterans. We note that ex-offenders are not limited by their offenses. We think that veterans should be permitted to participate regardless of the era of their service.

Beyond that and in conclusion, I think it has to be recognized that TJTC is only one part of a carefully tailored series of employment programs available to veterans. We view with a great deal of forebodding the prospect of losing this program, the prospect of losing the emergency job training program, the prospect of seeing significant cuts in part 4-C of JTPA for veterans. So with that in mind, we certainly endorse your efforts.

[The prepared statement follows:]

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

The American Legion appreciates this opportunity to present its views on H.R. 983 regarding the reauthorization and liberalization of the Targeted Jobs Tax Credit program [TJTC]. Pertinent resolutions adopted by The American Legion are attached, with the request that they be made part of the hearing record. At the outset, Mr. Chairman, let us first voice our unequivocal support for a 5 year reauthorization. In our judgement, a multiple year reauthorization can be expected to spur greater employer participation. This is because the program will be viewed as more stable permitting greater planning by participants with TJTC in mind.

Our principal reason for supporting TJTC stems from the fact that it directly benefits a target group which is in need of employment assistance; Vietnam era veterans. Though there has been a dramatic decline in veteran unemployment rates over the past few years since the nation emerged from its most recent deep recession, there still remain pockets of severe unemployment among veterans. This is especially true in cities having been hard hit by plant closings in industries that may not rebound.

Apart from unemployment created by plant closings, there is further evidence of unemployment problems among veterans which needs to be addressed. Even though nearly 300,000 disabled, Vietnam era and Korean veterans have been certified as eligible for placement under the Emergency Veterans Jobs Training Program—a program that is nearing its conclusion—less than 10 percent have actually gotten jobs. Further, the emergency job training program is designed for the long term unemployed veteran having been out of work for at least 15 of the last 20 weeks prior to certification. Quite naturally, The American Legion is concerned about the fate of the tens of thousands of veterans not having been placed under the emergency jobs program should both that program and TJTC be allowed to expire.

Even the Job Training Partnership Act [JTPA] offers little prospect for filling the void created by the loss of the emergency job program and TJTC. The veterans portion of JTPA is funded at less than $10 million for the current fiscal year and the proposed level for fiscal year 1986 is only $7.7 million. The scarcity of funding for veterans under JTPA has made it difficult indeed for grantees in the states to offer more than outreach and referral services; actual veterans training programs under JTPA are simply out of financial reach.

Further evidence of the need for more rather than less employment and training programs for veterans such as TJTC can be seen by reviewing the statistics of the VA Readjustment Counseling "Vet Center" Service. Of the 500,000 veterans seen at more than 100 store-front centers, problems of unemployment and vocational rehabilitation are among the three most commonly cited by veteran clients.

Mr. Chairman, after having presented the unemployment situation for veterans, we now turn our attention to your bill, H.R. 983. Last April, The American Legion testified before this subcommittee in support of a multiple year reauthorization of the program. At that time we pointed out why the program was good for economically disadvantaged Vietnam era veterans citing higher rates of unemployment by comparison with similarly aged non veterans, lack of training and education, ongoing economic readjustment problems as well as the phenomenon of "last hired, first fired" resulting from lack of seniority due to military service. At that time we also reported that veteran use of TJTC increased between 1982 and 1983 from 13,272 to over 24,000. In 1984 veteran participation again increased significantly to nearly 30,000.

Assuming that H.R. 983 is ultimately enacted, we believe that veteran participation can be expected to continue growing. There are, however, some aspects of the program that we believe are in need of improvement beyond those already incorporated in the pending bill. Foremost is the need to eliminate the provision restricting eligibility for the program only to Vietnam era veterans who are economically disadvantaged. We see no sound reason for this limitation and urge the subcommittee to give serious consideration to opening eligibility to veterans of all eras who are economically disadvantaged. In our view, this would be a sound and consistent course of action. Indeed, ex-offenders eligible for the program are not limited by the nature of their offenses in order to be eligible. An economically disadvantaged veteran is just as disadvantaged regardless of his or her era of conflict.

Mr. Chairman, in conclusion, The American Legion believes the program is needed and should be continued for an additional 5 years as provided in your bill, H.R. 983. However, we further believe that eligibility should be extended to allow participation of older veterans having served in war time eras other than just Vietnam.

SIXTY-SIXTH ANNUAL NATIONAL CONVENTION, SALT LAKE CITY, UT, SEPTEMBER 3, 4, 5, 1984

Resolution No.—168.

Commission.—Economics.

Subject.—Continuation of the targeted jobs tax credit.

Whereas, The Revenue Act of 1981 authorized the Targeted Jobs Tax Credit program to provide tax credits to employers hiring certain enumerated groups;

Whereas, One such group is comprised of Vietnam veterans, many of whom have benefitted by obtaining employment and training under this program; and

Whereas, Continuation of Targeted Jobs Tax Credit will enable Vietnam veterans the opportunity towards economic independence; now therefore be it

Resolved, By The American Legion in National Convention assembled in Salt Lake City, Utah, September 3, 4, 5, 1984, that The American Legion seek to have the Targeted Job Tax Credit program extended for at least three additional years beyond the current expiration date.

NATIONAL EXECUTIVE COMMITEE OF THE AMERICAN LEGION, INDIANAPOLIS, IN, OCTOBER 10-11, 1984

No.—26.

Commitee.—Economics.

Subject.—Older veterans employment tax incentive program.

Whereas, Many older veterans are facing unemployment due to changing market conditions, reductions-in-force, lay-offs, plant closing/automation, and forced retirement; and

Whereas, These displaced older veterans are experienced and have established dependable work habits and are better able to do their jobs with skills gained from years of experience; and

Whereas, Older veterans are an invaluable resource to this nation's workforce; and

Whereas, An employment are training program must be implemented where older veterans would assist the employer and the employer's employees develop more efficient production and work skills wherein the employer would receive tax incentives for hiring displaced older veterans; now thereforee be it

Resolved, By the National Executive Committee of the American Legion in regular meeting assembled in Indianapolis, Indiana, on October 10-11, that the American Legion urge Congress to establish an economic program would provide tax and other incentives to those employers who hire dislocated older veterans.

Chairman RANGEL. I want to thank all of you. The Chair fully recognizes that this is merely a tool to supplement the initiatives that your various agencies use and provide in order to get the hard-core unemployed back to work. We truly believe that it is cost effective in terms of getting these people to pay taxes rather than to live off of public funds.

And, of course, one of the features of the bill is that it will help the private sector and the individual as the indirect beneficiaries. This will lead me to Mr. Marshall. I want you to know that I fully appreciate the shortcomings of this legislation. I would welcome the opportunity to meet with you or to have your organization meet with my staff to see how we can talk about something that's comprehensive which will meet some of the barriers of the handicapped.

I am certain that once we do that, however, that you will find that this administration believes much of that work should be done by charitable organization and nonprofit organizations, churches and Rabis; therefore, the real question is do we have a national, Federal, morale obligation, as I believe we do, or whether or not America has accepted the fact that government has grown too big?

One of the reasons, as I pointed out, is that we have to do the best we can on the tax writing committee so that individuals do receive the benefit. When we assemble into committee we are all for reform and simplification, but as long as we protect things we are interested in, they become incentives.

So maybe we can become a little more creative, Mr. Marshall, as it relates to the handicapped. I do not know whether the Tax Code is the most effective legistative way to reach the objectives that you and I would want to reach. In the past, as now, I am very anxious to explore those opportunities with you.

Mr. **Marshall**. I appreciate that. And I'll be in touch with your office.

Chairman **Rangel**. It took creativity to come here and suggest that; it has been brought to my attention.

Let me thank all of you. Continue to do the work that we are also doing. There is no question that you are going to need this now more than ever. We'll fight to get it reinstated.

The next panel is targeted jobs credit Coalition, Paul Suplizio; the Washington representative has been able to help us in pulling together a panel in the Newport News Shipbuilding and Dry Dock, the vice president of Human Resources, D.T. Savas; James Beckett, and perhaps Cheryl Carr for Kentucky Fried Chicken, and my old classmate, who has obviously succeeded the expectations at Saint John's Law School, Martin Zeiger, senior vice president and general counsel of Revco.

My colleagues on this side should know that he used to be a very liberal Democrat. Now, with a little success, he's an avid administration supporter. That shows how well he's done for himself if not the country.

Back to our business, Mr. Suplizio.

STATEMENT OF PAUL E. SUPLIZIO, WASHINGTON REPRESENTATIVE, TARGETED JOBS TAX CREDIT COALITION

Mr. **Suplizio**. Mr. Chairman, since my statement will be printed in the record, I would like to use my time to address some of the comments that were made in the Treasury testimony that I do not believe ought to go unrefuted.

One of the points that Treasury made was that 9 out of 10 economically disadvantaged youths obtained jobs without the tax credit. Now, I do not know where they came up with that number. The fact that we do not have hard data is indicated by the fact that when you heard CBO, they used the figure 2 out of 3 and said that was an assumption.

Now, we will probably have to go back to the drawing board on that whole question. But I would like to point out that the implication that somehow the market processes are going to employ disadvantaged youth and the rest of the structurally unemployed is, I think, not correct for the mere fact that we still have an 18-percent youth unemployment rate and a 40-percent black youth unemployment rate.

Every now and then an interesting way of looking at the problem comes along. In research that was published in Public Interest in the winter 1985 issue, they took a look at the number of new jobs that were created over a long period from 1970 to 1983. There were 22 million new jobs created in the economy.

Now, the number that went to black male youths aged 16 to 24 was 165,000. Between 1970 and 1983, we had 22 million new jobs created in the economy. There were 14 million that went to women, 4.2 million went to all youth ages 16 to 24. That's over a 13-year period. Just 4.2 million went to youth ages 16 to 24.

You can imagine the spotty work experience records that would create. But for black male youth ages 16 to 24, only 165,000 jobs or 0.1 percent of the total. See the market processes simply are not doing their job. And that's the very nature of structural unemployment.

And that's why we use the targeted credit to expand demand in the low-wage, low-skill segment of the labor market so as to be able to create jobs in that segment of the labor market without inflation. Because you'd have to inflate the economy pretty severely before you could employ all the structurally unemployed and those with employment barriers.

I just want to comment on Treasury's point that because 9 out of 10, according to their statement, economically disadvantaged youth were getting jobs, that somehow market processes are working—I think that inference is not correct.

The second thing I would like to address briefly is the displacement question, which I think is used by Treasury to mystify the issue a bit. You have testimony before you last year and this year on displacement from CBO which says, in effect, that even if you had full 100-percent displacement of a non-TJTC eligible for a TJTC eligible, the result would still be a diminution of the burden of unemployment on the groups that were targeted.

And that's the objective. There is no doubt that TJTC is causing the employer to hire persons from the targeted groups. You have that from CBO, and we have that from research data from the National Center for Research in Vocational Education.

This displacement question is still one in which the verdict is not in yet. I notice that you were told today by the Congressional Budget Office representatives there was at least, they can say for certain, a 6-percent increase in jobs in those firms which did use the targeted jobs tax credit. Now, actually at the National Center for Research in Vocational Education and CBO itself they found a lot higher results last year in terms of new jobs created without displacement. CBO came up with 9 new jobs for every 10 TJTC hires. And NCRVE came up with 6 out of 10. But both groups, because of the weaknesses of the empirical data, declined to draw any firm conclusion.

So that's why the verdict is still out. We are going to look to see what the Department of Labor comes up with in their own evaluation.

The next thing I would like to briefly mention has to do with the interface between JTPA and the targeted tax credit. We have two very basic and important employment programs for assisting workers with severe barriers to employment. The JTPA program has appropriated to it $1.6 billion for fiscal year 1986. And we have obtained from the Department of Labor a draft evaluation of the Job Training Partnership Act which gives us figures for their first 9 months of operation enrolling 615,000 people, an 800,000 annual rate, and their placement rate is 62 percent.

Now, that means that JTPA is putting about 480,000 to 500,000 eligibles to work out of a population of 25 to 35 million disadvantaged individuals who are eligible for JTPA. Therefore every year about 500,000 find work. We have exceeded in TJTC that figure this year. The cost per placement, I think, has to go in the record because you were given the figure of $1,600 per worker by CBO. The placement cost in the draft DOL evaluation which is printed in our testimony is $4,300. That is $4,300 per placement for the Job

Training Partnership Act, compared to what CBO told you today was $700 to $1,000 per placement for TJTC. Our own calculation is roughly $622 per placement.

We aren't finished analyzing the Treasury cost model which they recently provided us under Freedom of Information Act request, and we will be able to give you a little more refined cost figures later on, which will refute Treasury's $7.2 billion cost-estimate presented today.

I would like to conclude by mentioning something that hasn't been brought up. And that is why we need a multiyear extension. Employers, especially small employers, are beginning to just take note of the program. And the potential there for bringing in the smaller employer is very significant.

At the same time, you have received testimony that the State employment security agencies are not getting very excited about doing mass vouchering of eligibles. As a matter of fact, total certifications last year went up 30 percent, but vouchers only went up 4 percent. And that's because how much vouchering is done depends on how much job development you are doing with employers.

Until we can get more employers interested—and that requires overcoming the initial fixed cost that's entailed in changing their hiring procedures to take advantage of TJTC—until we can do that, we are just not going to break the sound barrier here of getting more than the current about 500,000 employers that are participating in TJTC out of 6 million hiring establishments. That's a small percentage of the total 6 million. It is about 15 percent of the firms who pay taxes, who would be the ones interested among your employers overall.

So we need a multiyear extension, and recommend that Congress consider a multiyear extension. We certainly support your efforts in that regard.

[The prepared statement follows:]

STATEMENT OF PAUL E. SUPLIZIO, WASHINGTON REPRESENTATIVE, TARGETED JOBS TAX CREDIT COALITION

Mr. Chairman and members of the Subcommittee: I am pleased to appear before you today as the representative of the Targeted Jobs Tax Credit Coalition, a group of organizations and individuals who support extension of the targeted jobs tax credit. A list of the members of the Coalition is attached to our testimony.

Let me summarize the main points we would like to make to this Subcommttee.

MORE EMPHASIS ON TJTC REQUIRED

The targeted jobs tax credit and the Job Training Partnership Act's Title IIA are complementary and supporting programs of job assistance to the disadvantaged. Whereas program resources under TJTC are limited, so that only a small part of the eligible population (about 1 million out of 25 million) can be enrolled each year, TJTC can be utilized by any eligible worker, including those not reached by JTPA.

More workers were placed in private sector jobs under TJTC than were placed under JTPA Title IIA in fiscal eyar 1984—the first time TJTC placements have exceeded JTPA placements. Altogether, 563,000 workers obtained jobs under TJTC, compared to around 500,000 under JTPA. The JTPA figures are based upon a draft DOL evaluation which shows 600,000 enrollments during the first 9 months of fiscal year 1984 (an 800,000 annual rate) and a placement rate of 62.4 percent (see Table IX, appended to our statement).

TJTC achieved its goal at a cost of $350 million, or $622 per placement. JTPA's funding level for Title IIA is 1.9 billion, reflecting more costly training activities. According to the draft DOL evaluation, the cost per placement under JTPA was $4,297 for adults and $4,488 for youth (Table X).

Average starting wages under JTPA were $4.83 per hour for adults and $4.04 per hour for youth. A comparable figure for TJTC is not available. Persons assisted by JTPA were 39 percent youth, 27 percent welfare recipients, 7 percent handicapped, 52 percent white, 32 percent black, and 12 percent hispanic. Comparable figures for TJTC were 58 percent youth, 19 percent welfare recipients, and 6.8 percent handicapped, 59 percent white, and 41 percent black and hispanic.

It should be noted that the foregoing results are for JTPA's transition period (9 months from October 1, 1983 to June 30, 1984). JTPA began its first program year on July 1, 1984.

TJTC should be elevated on a par with JTPA as co-equal instruments of employment policy. The principle is that both sides of a scissors cut. Upon enactment of JTPA, Labor promptly published regulations and an entire year was devoted to putting in place the Private Industry Councils and Service Delivery Areas, required by the Act. A total of 15 percent of Title II ("Training for the Disadvantaged") funding, or $270 million, is allowed for administrative costs. Despite its promise, TJTC has been a poor step-sister. Treasury regulations for the program are still not final. Administrative funds for the program, including both Federal and State needs, have been limited to $27 million. Evaluations of the TJTC program required by law have not been submitted to Congress and are now 2 years late.

NEED FOR MULTIYEAR EXTENSION

The targeted jobs tax credit was enacted to provide an incentive to employers to hire from groups experiencing high unemployment rates or special barriers to employment. The program is working as Congress intended, and has proven its ability to create jobs for members of targeted groups. However, less than 10 percent of target populations have been assisted by TJTC; and only about 500,000 firms, or 15 percent of firms who pay taxes, participate. This is due primarily to the short program duration, which has been insufficient to overcome employer reluctance to incur the costs involved in changing their hiring methods to participate in TJTC. Another consequence of the short program duration has been insufficient emphasis on job development with employers to generate more jobs suitable for eligible workers, and insufficient vouchering of eligibles to fill those jobs.

TAX SIMPLIFICATION

In shaping public policy, Congress must reconcile conflicting objectives. To allow a single objective, such as tax simplification, to predominate is unwise. If TJTC is dropped to simplify the tax code, as Treasury recommends, the most cost-effective means this nation has evolved for dealing with structural unemployment will be discarded and less efficient means will be utilized. Treasury's proposal is inconsistent in recommending tax credits for enterprise zones, includings a tax credit for hiring disadvantaged workers, while TJTC is in place and doing the job. It makes no sense to eliminate a program that's working and start up an entirely new program for enterprise zones.

COST-EFFECTIVENESS OF TJTC

TJTC is the most cost-effective of Federal job programs. This is demonstrated by the fact that 563,000 disadvantaged workers were employed in fiscal year 1984 at a cost (revenue loss) to the Treasury of $330 million. Adding $20 million, which is the cost to administer the program, yields $350 million total cost. This works out to $622 per placement, a real bargain when compared to JTPA ($4,300), CETA ($10,000), or Job Corps ($15,200). A comparison of the average costs of principal Federal jobs programs is provided at Table 1.

A question sometimes raised is: how many persons who obtained jobs under TJTC would have gotton jobs without the tax credit? We believe the number would be small, because of surveys which show strong employer feeling that TJTC eligibles do not make good workers. The results of one such survey, from a study by the National Center for Research in Vocational Education, are presented in Table 8. The Congressional Budget Office, in a study prepared for this Subcommittee last year, used the assumption that two-thirds of all TJTC hires would have obtained jobs without the tax credit. We believe this figure is highly over-stated, and we are looking into the research on this topic to see if we can bracket the actual figure. Assuming CBO is correct, the cost per placement under TJTC would be three times greater than our $622 estimate, or $1,866. Even this amount is significantly less costly than any other Federal employment program.

Treasury's cost estimates presented to this Subcommittee last year were grossly inflated, a fact which the Coalition pointed out at the time. This is evident from comparison of revenue loss estimates in the fiscal year 1985 and fiscal year 1986 budgets shown in Table 2. Treasury's estimate of the cost for a one, three, and five-year extension, made last year, were also overstated. It told this Subcommittee that the total revenue loss for a one-year extension would be $1.2 billion, for a three-year extension would be $4.4 billion, and for a five-year extension $8.8 billion. Our own calculations, based on Treasury's revised estimates, show the total revenue loss to be $542 million for a one-year extension; $742 million for a three-year extension, and $942 million for a five-year extension.

Treasury's cost estimates do not include the return to government from reduced transfer payments and increased taxes paid by participants. The State of Maryland Department of Employment and Training made a study (published in last year's hearings and updated to 1984) to estimate this offset, which was found to average $388. Subtracting this from $622 yields a net cost of $234 per participant.

For fiscal year 1985, the budget (Special Analysis G) estimates the cost of TJTC to be $415 million, to which must be added 27 million in administrative costs. Even with some slackening in the program's growth, nearly 700,000 eligible persons will obtain jobs under TJTC in fical year 1985.

We estimate that if TJTC were extended for one year, the number of program participants would increase from 700,000 to 820,000, at an additional cost of approximately $100 million. Assuming the same rise of 100 million and 120,000 new participants per year in 1987 and 1988, a three-year extension would cost $300 million and a five-year extension $500 million over the FY 1985 baseline. By the end of FY 1988, over one million participants a year would be assisted. This is shown in Table 3.

Under a Freedom of Information Act, request, the TJTC Coalition obtained Treasury's cost model for estimating the TJTC revenue loss. The Coalition intends to work with Treasury to assist in its efforts to refine and improve the accuracy of its TJTC cost estimates.

TJTC'S IMPACT ON ELIGIBLE GROUPS

Only fragmentary data is available on TJTC's impact on eligible groups. However, the Department of Labor has launched a contract study on this subject, which will be completed next year.

Last year, the Congressional Budget Office told this Subcommittee: "Since the Department of Labor is currently planning a study of the tax credit program, reauthorization for 2 or 3 years could provide the opportunity to evaluate the program's effectiveness, giving Congress a better basis on which to assess whether it wants to continue assisting disadvantaged workers in this way. Eliminating the credit without careful evaluation may be premature and perhaps counterproductive." We believe this assessment is still valid today, and argues for extending TJTC until Congress can adequately review the DOL evaluation to be completed in March 1986.

A study by the Maryland Department of Employment and Training followed a sample of TJTC participants, and a comparable control group of persons who were TJTC-eligible but did not participate, for a period of a year before and a year after they were placed in a job or their eligibility was determined. There were 396 TJTC participants, and a little over 300 in the control group. The study measured the number of individuals within each group who achieved specified income levels, comparing the record for the year to the record for the year after. A significantly higher number of TJTC participants (32 percent of TJTC participants compared to 10 percent of the control group) achieved an income level of $6,000 per year or more. The average earnings of TJTC participants in the year following employment was $3,932 compared to $3,044 for the control group. The net earnings increase per TJTC participant was $888.

The results of the Maryland study lend strong support to the conclusion that TJTC improves the earnings of participants relative to other low-income eligibles. The reasons for this result are still unclear, but it could be due to the fact that most TJTC certifications are in larger firms that may provide more stable employment opportunities.

Substantial gains were achieved, in both vouchers and certifications, for almost all target groups in FY 1984. Overall certifications rose 30.6 percent. Youth certifications rose 45 percent, veterans 20 percent, handicapped 51 percent, general assistance 66 percent, and AFDC 67 percent. The only declines recorded were among cooperative education students (−19 percent) and the summer youth program (−10 percent). Table 4 summarizes this data.

Geographically, New York, Connecticut, Pennsylvania, Indiana, Michigan, Minnesota, Ohio, Wisconsin, and Texas all recorded increases significantly larger than the national average. Only New Jersey posted a decline in certifications.

Despite the 30 percent increase in certifications, the number of vouchers issued increased only 4 percent in 1984. Since the number of vouchers is driven by the number of firms requesting TJTC eligibles, the static vouchering reflects the lack of growth in the number of firms participating in TJTC. This, we said earlier, is directly related to the lack of a multi-year authorization.

The ratio of those vouchered who were certified and obtained jobs increased from 3 out of 10 in fiscal year 1983 to 4 out of 10 in fiscal year 1984. As Table 7 shows, the ratios improved for all target groups. For youth, half the number vouchered are now obitaining jobs.

According to a study by the Congressional Budget Office, the take-up rate for disadvantaged youth under TJTC—the percentage of eligible new hires who utilize the tax credit—rose from 3.5 percent in 1982 to 6.8 percent in 1983. Based on 328,000 youth hired in 1984, we have computed the take-up rate to be 8.6 percent.

TJTC appears to be having a significant impact on the population of AFDC recipients. The actual number of vouchers and certifications for fiscal year 1984 are respectable—313,000 vouchers and 85,000 certifications were issued. Of the total AFDC population of 3.7 million heads of household, many are unable to hold jobs without significant support services such as day care, or are not in the labor force for other reasons. Even so, to have vouchered 8.5 percent of the total population, and found jobs for 85,000 AFDC recipients in a single year, is not an insignificant achievement.

Using the number unemployed as a proxy for the number of economically disadvantaged Vietnam-era veterans, we see that 76,000 or 12.5 percent were vouchered in 1984. The number actually placed in jobs utilizing the credit was, however, significantly lower. SESA's have a staff structure specifically designed to support veterans employment, including a disabled veterans outreach program [DVOP] staff member in many Job Service offices, and a designated local veterans employment representative [LVER] in all offices. Since many Job Service offices are still only vaguely aware of TJTC, indoctrinating the staff and publicizing the program through veterans organizations could result in a more significant impact.

The gains in 1984 were obtained, it should be recalled, with a relatively low level of management emphasis and a low level of funding for administration. If the Department of Labor would strongly push TJTC, integrate it with Employment Service and JTPA programs, and ensure adequate administrative funding, more significant results could be achieved.

For the individuals who have been impacted, there is little doubt that the TJTC program is working effectively, and working as Congress intended. To have placed in productive employment 563,000 hard-to-employ, disadvantaged workers—including 328,000 youth, 85,000 AFDC recipients, 38,000 handicapped persons, 27,000 ex-convicts, and 29,000 Vietnam veterans—is not an insignificant achievement. This is a national placement rate of 47,000 per month.

ECONOMIC RECOVERY

Some say that with economic recovery the credit may be less essential. However, there is clear evidence that structural unemployment is not disappearing, that high unemployment rates persist for large numbers of workers with low education levels, limited work experience, and other handicaps. Such workers are not initailly productive enough to justify the wages that must be paid, without the tax credit. They stand last in the hiring line. Non-disadvantaged workers can compete for jobs in an expanding economy. Without TJTC, inner-city youth, the disabled, and other disadvantaged workers would be left behind.

TJTC acts to stimulate jobs in the low-skilled segment of the labor market, where new jobs can be created without a tightening of demand for labor and consequent wage inflation. This is why direct employer incentives like TJTC are essential to achieving full employment without inflation. Economic recovery will tighten the markets for skilled labor and start wage inflation long before the disadvantaged are drawn into the labor force.

JOB CREATION

It is sometimes said that the targeted jobs tax credit does not result in any new job creation, that emloyers simply hire TJTC eligibles over other qualified workers who are displaced. A recent study by the National Center for Research in Vocational Education shows that employers are doing exactly what Congress intended, utilizing the tax credit to hire disadvantaged workers. While there is no defintive study of whether new jobs are created in firms utilizing TJTC, research conducted by NCRVE and the Congressional Budget Office strongly suggests a significant number of new jobs are being generated. CBO's econometric analysis found 9 new jobs for every 10 TJTC eligibles hired, and no displacement of other workers, yet CBO declined to draw a firm conclusion from its research. NCRVE's analysis found a net gain of 6 jobs for every 10 TJTC hires, but likewise declined to draw any conclusion. In survey responses, 25 percent of employers said they increased employment when they hired TJTC eligibles.

Research is continuing in this area, and we expect NCRVE to estimate the net employment effect of TJTC in conjunction with the DOL evaluation previously mentioned. We also wish to note CBO's conclusion that even if there were no net increase in employment, and a non-disadvantaged worker was displaced for each TJTC eligible hire, the result is still a socially desirable reduction of the burden of unemployment on the disadvantaged.

THE QUESTION OF LOW SKILL AND HIGH TURNOVER

The targeted jobs tax credit has been criticized for generating, in the words of one report, "mainly low-pay, low-status, no-growth, high turnover positions in the secondary labor market". It is tue that the bulk of jobs for which the credit is claimed are relatively low paying, entry level positions requiring few skills. It is also true that the target populations are economically disadvantaged youth and others with severe employment barriers who require assistance in getting a foothold in the labor market. The fact that such persons are moving into entry-level jobs for the unskilled is an indication of the success of the program in targeting those most in need—not an indication of failure. They have the opportunity to move on to better paying jobs, and many do so. TJTC enables them to gain a foothold on the economic ladder.

At the same time, it helps satisfy the growing need for low-skilled labor in the wholesale and retail trades, construction, manufacturing, and services. By focusing employer demand on relatively low skilled labor, it does not contribute to tightening of skilled labor markets and thus adds minimally to inflation. It would be possible to design a tax incentive that includes training for more highly skilled and better paid jobs, but it would be more costly, the jobs would go to those who were more job-ready and beter prepared to absorb training, and the most severely disadvantaged workers would be left behind.

To refer to dead-end jobs is to imply no benefit to the worker. But a private sector job as a clerk, salesperson, laborer, or operative is far preferable to no job at all. Especially for young people, it is essential they begin as early as possible to build a job history which is basic to their future success in the job market. A sporadic work history darkens future prospects. The tragedy of high black youth unemployment rates is that this pattern is caried into later life. Only 45 percent of adult black males participate in the labor force compared to 85 percent for white males.

The evidence on turnover in TJTC jobs, from a Department of Labor study, is that the average duration of employment is 7 months. A State of Maryland Study found that almost the entire cohort of TJTC hires turns over by the end of the first year. Research by NCRVE found that turnover among TJTC eligibles is no greater than turnover among non-TJTC workers, across a broad spectrum of firms and industries.

DEMOGRAPHICS OF THE LABOR MARKET

The changing demographics of the labor market and new insights into the causes of poverty reinforce the need for the targeted jobs tax credit and point the way to improved design. Last year the economy created 4 million new jobs, but the low birth rates of the "baby bust" generation that began in 1964 means that only about 1.5 million new workers are entering the labor force each year. However, a large number of workers permanently displaced by technology and international competition now stand ahead of the disadvantaged in the hiring line. Left to their own devices, employers will absorb these workers and others not now in the labor force before hiring the hard-core unemployed.

TJTC provides an incenvtive to these employers to take a chance on the disadvantaged worker. A new University of Michigan study shows that of 2 percent of the population that re persistently poor, one-third are old or live in families headed by the old, 40 percent live in households in which the head of the family is disabled, and two-tirds live in the South, mostly in rural areas. We need to deal also with the million young people who drop out of school each year, and the high incidence of poverty among households headed by women. Many veterans other than Vietnam-era veterans are also hit by poverty. These factors argue for inclusion as new target groups all economically disadvantaged single heads of households, economically disadvantaged persons age 65 or older, and all economically disadvantaged veterans and disabled persons.

RELATIONSHIP OF TJTC AND JTPA

Both the targeted jobs tax credit and training programs for the disadvantaged under Title II of the Job Training Partnership Act should pull together in a coordinated national strategy for providing employment and training assistance to those with special employment needs. The principle is that both sides of a scissors cut. This will require the Federal government to elevate considerably the status and visibility of TJTC, including far more vigorous leadership and administration of the program by the Department of Labor.

Increased emphasis on TJTC is essential because the resources provided under Title II of JTPA, $1.9 billion in FY 1986, are adequate to serve only a small part of the eligible disadvantaged population. This point is made by a study issued in January of JTPA's first 9 months of operation. Entitled, "An Independent Sector Assessment of the Job Training Partnership Act Phase 2: Initial Implementation," the study was jointly funded by several foundations, and The National Commission for Employment Policy. A volume on the initial phase of JTPA was issued last year.

According to this research, the total number of eligibles for Title IIA (training services for the economically disadvantaged) is estimated at 25–35 million. Yet Title IIA service levels will only be 800,000–900,000 persons per calendar year.

To illustrate the impact on a single Service Delivery Area, Chicago's Title IIA eligibles are estimated at 500,000. Yet only 13,000 or less than 3 percent of the eligibles can be served under current service levels.

We have attached in Table 5, for various Service Delivery Areas, data from the study on the number of economically disadvantaged persons by JTPA's definition, which includes all persons on welfare, receiving food stamps, or with incomes below the poverty level. We have also attached at Table 6, program data on the number of persons to be served in various states. A comparison of the two tables discloses a large gap between JTPA eligibles and service levels. For example, California will serve 70,000 eligibles in program year 1984 (beginning July 1, 1984), yet in the San Diego SDA alone there are 354,000 eligibles.

The major conclusion of the joint foundation/NCEP study is that JTPA is serving those economically disadvantaged persons who are most job ready, and not serving those "most in need". This results from the emphasis under JTPA on achieving a high placement rate, low cost per placement, minimum support services, and meeting the needs of local labor markets. Since TJTC is available to all disadvantaged workers, it is today the only means of providing job assistance to those "most in need".

A question needs to be raised about the effectiveness of the administration of TJTC's Summer Youth Program, which was added in 1982. Last year, the regular summer youth program of subsidized employment under JTPA Title IIB was fouled up, according to the president of the U.S. Conference of Mayors, by a change in the funds allocation formula which gave more funds to rural areas, where they were not utilized, while cities' needs went unmet. This means there should have been greater utilization of TJTC for summer youth jobs, yet overall placements declined 10 percent. The reasons for this decline are not known.

Improved coordination is required between the Job Training Partnership Act and the targeted jobs tax credit if TJTC is to pick up the slack for those disadvantaged workers that JTPA will not reach. Despite the demonstrated insufficiency of resources budgeted for JTPA Title II, and the obvious opportunity for achieving significant results through improved coordination (for example, by using JTPA resources for job development and vouchering of TJTC eligibles), the Joint Foundation-National Commission for Employment Policy study does not contain a single mention of TJTC.

Vouchering authority should be extended to Private Industry Councils or local government bodies, whichever is designated to receive and administer JTPA grant funds for the particular Service Delivery Area. The Joint Foundation-NCEP study found that in three-quarters of the sample sites, the partners selected local government to be the grant recipient and administrative agency. State government, community-based organizations and PIC's assumed those roles in the remainder of the sites. By extending vouchering authority to appropriate JTPA institutions, the Federal government can ensure that the entire employment and training delivery system—not just the Job Service—fully integrates TJTC into their plans and programs.

Using JTPA resources for extensive vouchering of TJTC eligibles, for referral and placement services for those eligible, and the promotion and job development with employers, will not only enhance the effectiveness of TJTC but will assist JTPA agencies in meeting performance standards.

There should be better coordination between TJTC and JTPA Title II with respect to definition of eligibles. JTPA eligibles are: (a) those with income less than the Office of Management and Budget's poverty level or 70 percent of the lower living standard income level, whichever is higher; (b) Federal, State, or local welfare recipients; (c) Food Stamp recipients; (d) foster children for whom State or local payments are made; and (e) handicapped individuals who are economically disadvantaged but whose familes are not, as permitted by the Secretary of Labor.

These categories overlap with, but in many ways cover different sub-groups of the disadvantaged population than TJTC. For example, JTPA eligibles include all economically disadvantaged persons who meet the required income test, regardless of age. In TJTC, this category is limited to ages 18–24, unless the person is a member of another target group. The JTPA category for handicapped individuals is broader than the TJTC category which is limited to vocational rehabilitation referrals. TJTC contains no explicit category for Food Stamp recipients.

Congress should better coordinate the income tests for the two programs, and mandate their periodic revision. At present the TJTC criterion is 70 percent of the lower living standard and there is no provision for applying the OMB poverty level. BLS' lower living standard data has not been revised since 1981, and up-dating is urgently required.

SUMMARY OF RECOMMENDATIONS

To improve the effectiveness of the Targeted Jobs Tax Credit, we recommend that Congress:

(1) Grant a five-year extension, which will permit better planning by employers and the Department of Labor, ensure a better employer response, and greater impact on target groups;

(2) Ensure a higher priority for and better promotion of TJTC by the Department of Labor, including stronger emphasis and awareness in local Job Service and JTPA offices;

(3) Require integration of TJTC with JTPA planning and, where possible, with JTPA operating programs, and more closely coordinate eligibility requirements;

(4) Reduce red-tape in the program by eliminating DOL certification and providing for employer self-certification, as is the case in claiming other tax credits; DOL would continue to voucher (certify) the eligibility of individuals as belonging to target groups;

(5) Expand vouchering authority to JTPA institutions and local government bodies; to qualified community-based organizations; and to other state agencies such as vocational rehabilitation and welfare offices, for stronger outreach and more extensive vouchering of eligibles;

(6) Raise the funding level for TJTC administration from $27 million to $35 million, including $5 million for program evaluation and improved promotion and outreach to eligible groups; and provide incentives to SESA's through higher fund allocations for increased vouchering and certifications;

(7) Extend the validity period for an eligibility determination (voucher) from 45 days to 90 days in order to permit more cost-efficient vouchering and job search;

(8) Provide for a grace period of 5 working days for an employer to request certification of a new hire, to prevent denial of certification due to late postmark or clerical error, whether the worker has been previously vouchered or not;

(9) Require the Department of Labor to identify and improve program linkages to firms capable of providing significant numbers of jobs for TJTC eligibles.

Mr. Chairman, this concludes my testimony. Are there any questions.

Table 1.—Comparison of costs per placement and costs per enrollee in major Federal jobs programs

TJTC (cost per placement)	$622
JTPA:	
Adults (cost per placement)	4,297
Youth (cost per enrollee)	4,488
Job Corps (cost per enrollee)	15,200
Older Americans (cost per placement)	5,100

Source.—Budget of the U.S. Government, fiscal year 1986; U.S. Department of Labor, "What's Happening With JTPA? Complete Analysis of 1984 Survey Data" (draft).

TABLE 2.—TREASURY'S REVISION OF REVENUE LOSS ESTIMATES DUE TO TJTC

[In millions of dollars]

	Fiscal year—		
	1984	1985	1984–85 Total
Published in fiscal year 1985 budget	695	730	1,425
Published in fiscal year 1986 budget	330	415	745
Difference	365	315	680
Percent change	52	43	48

TABLE 3.—TJTC COALITION'S ESTIMATED COST OF 1, 3, AND 5-YEAR EXTENSIONS

	Additional cost	Additional participants
1-year extension	+$100,000,000	+120,000
3-year extension	+$300,000,000	+360,000
5-year extension	+$500,000,000	+600,000

Note.—Above costs are to be added to the fiscal year 1985 baseline revenue loss estimates contained in Special Analysis G of the Budget. This baseline cost is $415 million for fiscal year 1985. The number of participants in fiscal year 1985 is projected to be 700,000.

TABLE 4.—INCREASE IN TJTC CERTIFICATIONS, FISCAL YEAR 1983–84

	1983	1984	Percent change
Total	431,182	563,381	+30.6
Youth [1]	225,771	328,213	+45.3
Vietnam-era veterans	24,141	29,000	+20.1
Ex-convicts	21,929	27,278	+24.4
Handicapped	25,412	38,263	+50.6
General assistance	14,480	24,101	+66.4
AFDC	50,736	84,769	+67.1
SSI	1,254	1,620	+29.2
Co-op education students [2]	8,324	6,754	−18.9
Summer youth program	33,538	30,137	−10.1

[1] Excludes summer youth.

[2] Economic eligibility determinations are shown.

TABLE 5.—CHARACTERISTICS OF FIELD STUDY SDAs [1]

	Major cities	SDA population	Percent economically disadvantaged
SDA:			
Sixco (Arizona)		[1] 318,755	21.8
Contra Costa County (California)		665,300	10.5
San Diego Consortium (California)	San Diego	1,861,846	19.1
South Bay (California)		339,783	16.5
Denver County (Colorado)	Denver	492,365	13.4
Larimer County (Colorado)		159,022	9.9
Leon-Gadsden-Jefferson-Wakulla (Florida)		226,300	23.7
Tampa (Florida)	Tampa	285,700	23.4
SDA II (Kansas)	Topeka	483,758	16.2
Chicago (Illinois)	Chicago	3,005,072	[1] 20.3
Land of Lincoln (Illinois)	Springfield	210,000	9.3

TABLE 5.—CHARACTERISTICS OF FIELD STUDY SDAs [1]—Continued

	Major cities	SDA population	Percent economically disadvantaged
SDA—Continued			
North Metro (Massachusetts)		725,993	15.3
Detroit (Michigan)	Detroit	922,035	27.4
Genesee/Shiawassee (Michigan)	Flint	521,589	[1] 10.0
Gulf Coast (Mississippi)		182,202	21.4
Buffalo-Cheektowaga-Tonawanda (New York)	Buffalo	558,581	21.5
New York City (New York)	New York	7,071,639	19.0
Westchester County (New York)		671,248	10.1
Susquehanna (Pennsylvania)		513,736	[1] 8.0
Richland County (South Carolina)		269,572	15.3
Houston (Texas)	Houston	1,750,000	12.5
Rural capital area (Texas)		227,890	15.4
Vermont (Vermont)		539,091	13.0
Seattle/King County (Washington)	Seattle	1,320,000	7.0
Spokane (Washington)	Spokane	353,000	

[1] Numbers are taken from SDA training plans unless marked with an [1], in which case they are 1980 Census figures.

Source.—Excerpted from Walker, Feldstein, and Solow, "An Independent Assessment of the Job Training Partnership Act, Phase II: Initial Implementation," January 1985. SDA's are service delivery areas established for purposes of the Job Training Partnership Act. See text for definition of economically disadvantaged under JTPA.

TABLE 6

First- and Second-Year JTPA Enrollment Levels and Comparison with CETA (FY 1981)

(Thousands of participants)

	Planned JTPA II-A Enrollments, FY '84 (9 months)	Actual JTPA II-A Enrollments through 3/31/84	Planned JTPA II-A Enrollments, PY '84 (12 months)	Actual CETA II-B Enrollments, FY '81
ALABAMA	14.1	10.8	19.0	18.4
ALASKA	1.1	0.4	1.3	1.7
ARIZONA	—	—	—	—
ARKANSAS	—	—	—	—
CALIFORNIA	70.6	38.9	70.0	128.7
COLORADO	—	—	—	—
CONNECTICUT	5.8	3.3	8.2	6.0 (est.)
DELAWARE	—	—	—	—
FLORIDA	25.0	17.8	32.0	19.8
GEORGIA	11.6	6.9	—	—
HAWAII	2.0	1.1	1.9	3.0
IDAHO	2.5	2.1	3.4	4.5
ILLINOIS	30.1	19.0	37.7	53.3
INDIANA	15.3	9.9	22.4	22.4
IOWA	8.3	4.7	8.2	9.8
KANSAS	—	—	—	—
KENTUCKY	16.7	13.6	—	—
LOUISIANA	10.7	5.9	11.3	23.7
MAINE	4.1	1.9	3.5	5.8
MARYLAND	8.8	8.9	11.2	26.5
MASSACHUSETTS	12.7	8.2	—	—
MICHIGAN	—	—	45.7	52.4
MINNESOTA	—	—	18.1	20.8
MISSISSIPPI	8.3	5.8	-	—
MISSOURI	13.5	9.9	18.0	20.5
MONTANA	2.5	2.6	—	—
NEBRASKA	—	—	—	—
NEVADA	2.4	2.0	—	—
NEW HAMPSHIRE	—	—	—	—
NEW JERSEY	16.3	8.3	21.7	31.9
NEW MEXICO	10.5	3.2	5.3	7.1
NEW YORK	—	—	—	—
NORTH CAROLINA	25.0	15.3	28.6	26.1
NORTH DAKOTA	1.4	1.0	1.7	1.4
OHIO	26.6	25.9	—	—
OKLAHOMA	4.8	4.0	7.6	6.6
OREGON	9.7	7.9	—	—
PENNSYLVANIA	—	—	—	—
RHODE ISLAND	1.8	1.3	2.4	4.9
SOUTH CAROLINA	—	—	—	—
SOUTH DAKOTA	2.2	1.4	3.7	2.3
TENNESSEE	9.3	9.6	14.4	18.1
TEXAS	22.0	16.0	38.7	44.4
UTAH	5.1	4.1	4.3	4.8
VERMONT	1.6	1.0	2.0	2.1
VIRGINIA	5.0	10.4	—	—
WASHINGTON	11.8	11.0	—	—
WEST VIRGINIA	5.9	3.5	6.1	16.3
WISCONSIN	13.1	15.2	26.2	23.8
WYOMING	0.8	0.6	1.8	0.8
Totals	422.3	313.4	476.4	627.9

Note: Figures shown are those from states able to supply both planned and actual enrollments for FY '84 (N=38), or planned PY '84 and actual FY '81 enrollments (N=30), or all of the above. States providing only partial information were excluded to prevent bias in tabulating totals and percentages.

Actual FY '84 Enrollment through 3/31/84 as % of Total Planned for Nine Months:

74.2%

Planned JTPA II-A Enrollment in PY '84 as % of Actual CETA II-B Enrollment in FY '81:

75.9%

Source: Excerpted from, An Independent Sector Assessment of the Job Training Partnership Act, January 1985. Program year 1984 is the year beginning July 1, 1984.

TABLE 7.—RATIO OF TJTC CERTIFICATIONS TO VOUCHERS

[In percent]

	Fiscal year—	
	1983	1984
Youth	44.6	53.0
Veterans	29.9	38.2
Ex-convicts	23.2	36.2
Handicapped	32.2	40.1
SSI	40.2	43.1
General assistance	22.2	26.0
AFDC	17.2	27.0
Total	33.5	42.1

TABLE 8.—REASONS FOR NOT PLANNING TO ASK FOR REFERRALS OF TAX CREDIT ELIGIBLES WHEN AN UNSKILLED WORKER IS NEEDED

	Percent of responses
Not hiring that type of worker not eligible	22.0
Don't expect to be hiring	13.0
Will not be needing types of workers who might be eligible	7.6
Would not benefit because we have no tax liability	.2
We are not eligible	1.2
Eligible referrals are thought to be poor workers	26.0
Eligible workers not skilled enough	14.0
Eligible workers not reliable enough	3.5
Dissatisfied with employment services referrals	8.5
Don't use the employment service	23.2
Criticism of TJTC program	15.3
Too much paperwork	10.7
Might result in government interference	3.3
Tax benefit not big enough	1.3
Applicants should be judged by qualifications and not by tax credit availability	6.5
Other didn't think of it	7.0
	100.0

Unweighted tabulation of answers to "Can you tell us why you do not plan to ask for referrals." That was asked of the 73 percent of respondents who answered "no" or "don't know" when asked "In the future, do you plan to ask for referrals of tax-credit eligible employees when you need to hire unskilled workers?"

TABLE IX

COMPOSITION OF AN AVERAGE SDA: TERMINATION DATA

Total Number of Terminees = 667

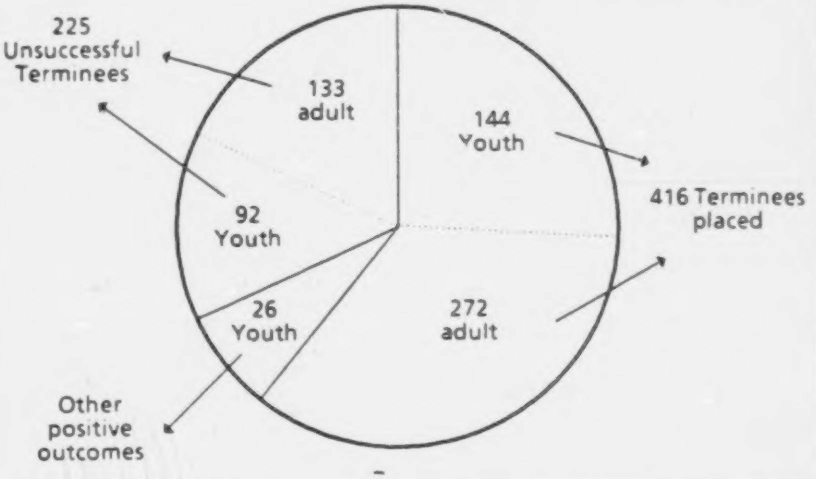


TABLE X.—PERFORMANCE STANDARDS

	National standard	JTPA	CETA
Adult placement rate	58%	66%	47%
Welfare placement rate	41%	54%	
Youth placement rate	41%	54%	31%
Youth positive termination rate	82%	65%	
Wage/adult	$4.90	$4.83	$4.44
Wage/youth		$4.04	
Cost/adult placement	$5,900	$4,297	
Cost/youth positive termination	$4,900	$4,488	

TABLE XI.—CHARACTERISTICS OF TERMINEES

[In percent]

	Transition year title IIA JTPA [1]	Fiscal year 1983 title BC CETA [2]
Characteristics:		
Females	48.1	49.1
Youth	39.0	[3] 43.9
Welfare	27.3	27.3
Limited English Speaking	4.3	4.3
Handicapped	7.3	8.3
Drop outs	26.5	25.6
White (not Hispanic)	52.3	51.1
Hispanic	12.0	11.9
Black (not Hispanic)	32.1	32.6
American Indian or Alaska Native	1.3	1.3
Asian or Pacific Islander	2.7	3.4

[1] Based on JTPA Annual Status Reports.

[2] Based on Report No. 94, Quarterly Summary of Participant Characteristics, U.S. Dept. of Labor, Employment and Training Administration, pp. 2443-4.

[3] Does not include title IV of CETA which included substantial numbers of youth.

TABLE XII.—1984-85 PLANNED ENROLLMENT LEVELS

[In percent]

	Total adult	Total youth
Type of training:		
Nonoccupational classroom (e.g., basic education)	17	25
Preemployment/motivational	40	48
Classroom skills	40	31
Job search	28	26
On-the-job training	38	25
Work experience	6	17
Try out employment		14
Other	2	3

The percentages for both youth and adult total well above 100 which indicates that many SDAs are planning on enrolling participants in multiple training programs.

MEMBERS OF TJTC COALITION

Southeastern Research, Inc., Columbia, SC.
Ameriserv, Inc., Fort Lauderdale, FL.
LTW Management Services, Freehold, NJ.
Walton Management Services, Inc., Loch Arbour, NJ.
PCS Reports, Ltd., Brooklyn, NY.
Technical Assistance, Inc., Orangeburg, SC.
The Alameda Company, Alameda, CA.
SMS, Inc., Florence, SC.
Targeted Management Consultants, Inc., West Babylon, NY.
Annco, Inc., Austin, TX.
MANCON, Inc., Anderson, SC.
EASA, Inc., Solvang, CA.
Baker Industries, Parsippany, NJ.
Pay Less Drug Stores, Wilsonville, OR.
Texas Employment Commission, Austin, TX.
Boss Manufacturing Company, Kewanee, IL.
DiGiorgio Corporation, San Francisco, CA.
Wells Lamont Corporation, Chicago, IL.
Shaklee Products Inc., San Francisco, CA.
Grace Home Centers West, Brea, CA.
Levi Strauss Inc., San Francisco, CA.
Commercial Bank & Trust Company, Miami, FL.
Sysco/Gulf-Atlantic Food Services, Jacksonville, FL.
Scotty's Inc., Winter Haven, FL.
Suddath Van Lines, Inc., Jacksonville, FL.
Misner Marine Coast, Inc., Tampa, FL.
Bud Swarez, Inc., Tampa, FL.
Heinicke Jet Aviation, Hollywood, FL.
Williams Management Enterprises, Orlando, FL.
Samar Management, Burger King, Port Richey, FL.
Aragon & Sons, Inc., Wania, FL.
Fast Food Enterprises, Vero Beach, FL.
Merit Electric Co., Inc., Largo, FL.
Florida Power Corporation, St. Petersburg, FL.
Fleetwood Homes of Florida, Lakeland, FL.
Florida Rock Industries, Inc., Jacksonville, FL.
Gabriel Communication Corporation, Ft. Lauderdale, FL.
Tropical Circuits, Inc., Ft. Lauderdale, FL.
K & G Box Company, Jacksonville, FL.
Asplundor Tree Expert Company, Willow Grove, PA.
Stimpson Company, Inc., Bayport, NY.
Re Franton, Inc., West Palm Beach, FL.

Sanawara Corporation, Tampa, FL.
Rogers & Ford Construction Corporation, Boca Raton, FL.
Creative Hairdressers, Arlington, VA.
Bestway, Miami, FL.
Food Lion, Salisbury, NC.
Rollins, Inc., Atlanta, GA.
Key Pharmaceuticals, Inc., Miami, FL.
Braman Inc., Miami, FL.

Chairman RANGEL. Thank you. Is Mr. Savas with us?

Let us hear from Kentucky Fried Chicken representative, James James Beckett, senior counsel.

Mr. BECKETT. Mr. Chairman, with your permission I would like to read a brief statement of the written testimony we've already submitted to the committee.

Chairman RANGEL. The full statement will be in the record as with all of the witnesses without objection.

STATEMENTS OF JAMES C. BECKETT, SENIOR COUNSEL, AND CHERYL CARR, ASSISTANT STORE MANAGER (NEW YORK CITY), KENTUCKY FRIED CHICKEN CORP.

Mr. BECKETT. My name is James C. Beckett, and I am senior operations counsel for Kentucky Fried Chicken Corp., which owns and operates over 4,500 Kentucky Fried Chicken restaurants in the United States and is an operating company of R.J. Reynolds Industries Inc. Our restaurants are located in every State in every county across the United States.

Today, I have with me someone who has benefited from targeted jobs tax credit, one of our employees, Cheryl Carr, who is assistant store manager of one of our Kentucky Fried Chicken restaurants located at 202 West 34th Street, New York City. Ms. Carr is one of the many management people who gained their employment with us as TJTC certified individuals. Ms. Carr is prepared to comment on her own experience in getting a job through TJTC and also the opportunities that she has realized to work her way up into a management position with our company. And she just recently celebrated 1 year with our corporation.

The TJTC tax credit is an effective incentive to hire individuals whom we might normally not consider to staff our new inner-city restaurants. We have found it very effective to hire and train special TJTC coordinators whose sole responsibility with the company is to work with the State agencies to identify the type of individuals that are required to fill our staffing needs.

When KFC began using TJTC in January 1981, less than 20 percent of our current employees were qualified under the provisions of the program. You can remember at that time there was retroactive certification. Currently, 48 percent of all KFC employees are TJTC certified. It may seem in a business like ours with a high rate of turnover that the impact is small in terms of solving a long-term structural unemployment. This is not so, we believe. Kentucky Fried Chicken is looking for targeted jobs employees and has company wide training and career advancement programs.

Our experience with TJTC shows that of 70.3 percent of economically disadvantaged youth, 8.5 are employed under the Summer Youth Employment Program, and the remaining percentage includes Job Training Programs, welfare recipients, and Vietnam era veterans as well as exoffenders.

Now, in 1984, the only year we had complete figures, we invested well over $600,000 on our own perhaps to seek out, recruit, train, and supervise TJTC individuals whom we hired. Now, since the TJTC Program began, KFC has hired over 19,500 individuals who were TJTC certified. And we paid them annual wages which exceed $15 million.

In 1984 alone we hired or promoted 155 of the TJTC employees under management positions which paid them salaries which range from $15,000 to $25,000 annually. Today, nearly one in four of our hourly employees, almost 4,000, are TJTC certified and are productive members of our work force.

Kentucky Fried Chicken is still expanding and will need approximately 101,500 new employees in the next 3 years alone. We fully intend to give our first priority to TJTC-certified individuals who reside in the inner-city market. And we therefore urge the extension of the program and fully support your bill. And with those brief comments, I would like to turn our presentation over to Cheryl Carr.

Ms. Carr. My name is Cheryl Carr, and I am assistant store manager of the Kentucky Fried Chicken at 34th Street and Seventh Avenue, New York City. I appreciate this opportunity to appear today before the committee.

I was working in the Job Corps in 1980 getting my high school equivalency diploma. And after that I went to Union County Community College for college credits. After about 1½ years the Job Corps funds were cut right in the middle of the semester. I had to drop out of school because I could not pick up expenses.

My brother was working for a Kentucky Fried Chicken and suggested that I apply for a job with them. On application, I was referred to the job service agency, which certified me as TJTC qualified. In March 1984, I began work with Kentucky Fried Chicken as a customer service worker.

Since then, I have been able to realize part of my personal dream because I have a career with Kentucky Fried Chicken. I moved rapidly through the company's career advancement program to assistant store manager on October 1, 1984, the position I hold today.

The other part of my dream is to complete my college education, which Kentucky Fried Chicken will pay for as long as I maintain at least a C average. That will be no problem since I was averaging B before I had to stop my education when the job corps funds were cut.

My confidence was a little shattered when I had to leave college, but the training and career advancement I received at Kentucky Fried Chicken has renewed my self-confidence a lot.

As an assistant store manager, I talk to a lot of TJTC people we hire for my Kentucky Fried Chicken restaurant. Most of them want more out of life as I do, and I take a personal interest in them. The company encourages that by giving us bonuses for the people we recommend to management. But even if they did not, I would encourage my employees anyway.

I know it takes a lot to make it in this world today. I am the seventh of 10 kids in my family. Kentucky Fried Chicken and

TJTC gave me a chance, and I took advantage of it. Anyone can succeed if they have motivation and a chance. Thank you.

Chairman **Rangel**. Thank you, Ms. Carr. You should feel proud of your individual accomplishments.

Mr. Beckett, do you know what the savings are to KFC as a result of the use of the targeted jobs credit?

Mr. **Beckett**. The net tax credit that we realize is about $3.85 million. That is on an annual basis.

Chairman **Rangel**. I just didn't want it to appear you were only involved in public service.

Mr. **Beckett**. No, we are not. We are in business to make money.

Chairman **Rangel**. Well, as long as you have people like Ms. Carr, it shows that it is a partnership. That is what we expected and wanted it to be.

Mr. **Beckett**. With your permission, I have figures on the distribution of our employees across the United States that I would like to submit to supplement the record, as well as a letter that was just sent to President Reagan from our chairman of the board which reiterates our commitment to the summer youth program and that we will fully support that this coming summer.

Chairman **Rangel**. We appreciate that. We will use this as part of our full record.

[The information follows:]

Kentucky Fried Chicken,
Louisville, KY, March 15, 1985.

The President,
The White House,
Washington, DC.

— i.e., cheap labor

Dear Mr. President: Thank you for your letter regarding summer employment of young people. We are proud to be one of America's leading employers of young people, including needy youth, and will once again support your efforts to assure availability of summer jobs—as well as year around.

KFC operates in a unique industry typified by high numbers of youthful employees who work part-time for short periods. Therefore we provide a primary training ground for substantial numbers of young Americans. And because we are heavily concentrated in major metropolitan centers, we hire from the neighborhoods in which our restaurants are located. As a result, many of our young employees are disadvantaged central city residents who qualify for employment under the federal Targeted Jobs Tax Credit Program.

The TJTC program, which has enjoyed your administration's support, has proven highly successful at Kentucky Fried Chicken. Since the program began, KFC has hired nearly 20,000 individuals who were TJTC certified, trained them and provided meaningful jobs with career advancement opportunities. Our experience shows that 70.3 percent of these individuals are economically disadvantaged youth, 8.5 percent are employed under the Summer Youth Employment Program, and the remainder are qualified under the federal Job Training Program, welfare recipient, Vietnam veteran or ex-offender categories.

Clearly, many of these people would not have employment opportunities in a competitive marketplace without TJTC.

We share your belief that the private sector must support effective public/private partnership measures to keep the economy strong and growing. The Targeted Jobs Tax Credit is one such program and we urge its extension in the 99th Congress. We hope you will lend your support to an extension.

Sincerely,

Richard P. Mayer.

TJTC EMPLOYMENT HISTORY—KFC PROGRAM THROUGH NOVEMBER 15, 1984

Employment by States	CY 1981	CY 1982	CY 1983	YTD CY 1984	Total employees
Arizona	33	41	90	73	237
California	118	148	326	264	856
Georgia	207	258	566	458	1,489
Florida	155	194	425	344	1,118
Hawaii	11	14	31	25	81
Illinois	365	455	1,001	809	2,630
Kansas	34	43	94	76	247
Kentucky	76	95	210	170	551
Maryland	70	87	190	154	501
Michigan	230	287	629	509	1,655
Minnesota	219	274	601	486	1,580
Missouri	48	60	132	107	347
New Jersey	34	43	94	76	247
New Mexico	6	8	17	14	45
Nevada	12	15	33	27	87
New York	358	448	983	795	2,584
North Carolina	58	72	158	128	416
Ohio	156	195	428	346	1,125
Oklahoma	21	26	58	47	152
Pennsylvania	83	104	229	185	601
South Carolina	44	55	120	97	316
Tennessee	49	61	133	108	351
Texas	234	293	643	520	1,690
Virginia	95	119	262	212	688
Totals	2,716	3,395	7,453	6,030	19,594

Chairman RANGEL. Now, Mr. Zeiger. The pharmaceutical industry, I understand, is in support of this legislation.

STATEMENT OF MARTIN ZEIGER, SENIOR VICE PRESIDENT, GENERAL COUNSEL, AND CORPORATE SECRETARY, REVCO D.S., INC.

Mr. ZEIGER. Mr. Chairman, good afternoon. I appreciate your kind remarks at the beginning of the panel.

I am Martin Zeiger, senior vice president and general counsel of Revco D.S., Inc., which operates nearly 2,000 neighborhood drug stores in 28 States.

Chairman RANGEL. You are in both positions, general counsel to Revco as well as the senior vice president?

Mr. ZEIGER. I am. We are the largest drug chain in the world, Mr. Chairman, and employ approximately 20,000 people, the majority of them at the store clerk level. I am pleased to be here today to tell you why Revco supports the Targeted Jobs Tax Credit Program.

First, I would like to mention upfront an apparent reason. You just touched upon it with the representative from Kentucky Fried Chicken—the tax savings that Revco receives as an incentive for hiring and training disadvantaged people. In fiscal 1984, our net tax savings through involvement in the program was $962,000. These are funds that are available for all corporate endeavors including the building of new Revco stores in neighborhoods and the employment of more people.

"Here's how you operate the cash register," But the financial benefits are not the only basis for our support of the program. The principal reason we support the TJTC is that it works. It gives the disadvantaged a leg up. This is one Government program that does what it says it is going to do.

We believe there is ample evidence under this program that incentives to business to defer the costs of employing the disadvantaged make worthwhile social policy. In addition, as big businesses establish the creditability of programs such as this, we can expect smaller businesses to join up.

We became involved in TJTC very slowly at first in 1982. As participation proved worthwhile, we increased our involvement. We now employ 1,100 people who came to us eligible for the credit. This represents 7 percent of total employment in our stores. And we are very pleased to report that they have taken their jobs seriously.

Revco's retention rate for regular employees in 1983 averaged 62 percent, a good figure considering that retail has a very high employee turnover. The retention rate for TJTC eligible employees for 1983 not only was as good as the retention rate for regular employees, it was actually 1.4 percent better, at 63.4 percent.

It should be noted that both our hiring rate and our retention rate were somewhat lower in 1984. Through our own analysis and in discussion with our manpower consultant, we find that this trend was not unique to Revco. The improved economy, be it temporary as some people think, or permanent, as others may feel, has resulted in increased regular employment for the disadvantaged.

But these latest figures do not sway our belief that TJTC works effectively to provide jobs when they are needed. Everyone should understand the nature of retailing employment. The majority of jobs we provide are market-entry positions that launch people into the workplace whether in retailing or in other businesses. Thus, it is not surprising that we have a substantial turnover.

However, we thought it important for purposes of this hearing to determine the reasons for losing some of our TJTC people. We examined the cases of a random sampling of 20 percent of the TJTC employees who left our employment in 1984. Some, of course, were terminated; that is the nature of any business. Others left to relocate, return to school, full-time employment, or they were just employed for the summer.

We were pleased to find that a full 40 percent of this random sampling resigned to take a better position with another employer. Sorry though we are to lose such good people, it is most gratifying to us to know that we gave them an opportunity to use their job with Revco to get a better job somewhere else.

Our records also indicate—and we have so submitted, Mr. Chairman—that the average amount we receive in tax credits for TJTC employees in a year is just $1,152, a sum which is less than half of the $3,000 we are eligible to receive per employee for the first year.

Because we believe Revco is typical of other retailers, we can deduce that the cost estimates for this program discussed this morning by the Treasury Department representative which are based on a $4,500 reimbursement rate are far above the actual cost per employee. My point is this: The value of the program must be evaluated based on its real cost, not on an inflated hypothetical estimate.

To further demonstrate our support for the TJTC program, I should like to briefly describe Revco's involvement with a nonprofit organization named 70,001. This agency assists private industry councils in providing preemployment training for all categories of people eligible for job placement under the Job Training Partnership Act.

As you are aware, a central aspect of JTPA mentioned with approval by the Treasury Department representative in our job is the judgment of the targeted jobs tax credit. In the area, which we have taken a leadership role in establishing a pilot program within 70,001 for the placement of the disadvantaged in retail. More than passive contribution of money, our active support includes providing guidance, professional time, cash registers and the like. And we have a member of management serving on the 70,001 board of directors.

We believe this private program could go nationwide, resulting in good jobs for people who really could use them. It's chance of success, however—and this is reiterating what some of the other people have stated this morning—depends on a large degree on TJTC.

I should like to share a personal story told to me by 1 of the 70,001 placement offices just last week. This occurred last week. It concerns a young woman, a mother of three who had successfully completed her course of study and was certified for employment. On the morning of her first interview the woman came to 70,001 offices. She was well-groomed but seemed tired. The placement officer asked if something was wrong. The woman said she felt weak and confessed she hadn't eaten in 3 days. It seemed she had used the last of her money to buy food for her three children.

Our placement officer insisted that breakfast was necessary before the interview and personally paid for the woman's meal. The interview was successful at one of the local convenience store chains, and that woman has a job and is now working full time.

We think the program is vital. It requires attention to three aspects. One, a realistic cost estimate based on actual tax credits per individual and not the potential $4,500 tax credit. Two, the TJTC Program needs a multiyear renewal because it takes time to establish and nurture the complex relationships between employees, private industry councils, and other organizations involved in the program. Three, and most important, the TJTC needs the continued support of the Congress.

We in retailing appreciate your work in keeping the program alive since its inception in 1978. We look toward a long-term renewal of the program. It is truly an everybody will win program. Thank you.

[The prepared statement follows:]

STATEMENT OF MARTIN ZEIGER, SENIOR VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY, REVCO, D.S., INC.

Mr. Chairman and members of the committee, good morning. I am Martin Zeiger, senior vice president and general counsel of Revco D.S., Inc., which operates nearly 2,000 neighborhood drugstores in 28 States. We are the largest drug chain in the world and employ approximately 24,000 people, the majority of them at the store clerk level. I am pleased to be here today to tell you why Revco supports the targeted jobs tax credit program.

First I'd like to discuss an apparent reason for our support—and that is the tax savings Revco receives as an incentive for hiring and training disadvantaged people. In fiscal 1984, our net tax savings through involvement in the program was $962,000. These are funds that are available for such redeployment as capital to create new Revco stores in neighborhoods throughout the country, and to hire and train employees.

But the financial benefits are not the only basis of our support for the program.

The principal reason we support the TFTC is that it works. It gives the disadvantaged a "leg up." We believe there is ample evidence under this program that incentives to business to defer the costs of employing the disadvantaged make worthwhile social policy. In addition, as big business establishes the credibility of programs such as this, we can expect smaller businesses to join up.

Revco became involved in TJTC very slowly at first, in 1982. As participation proved worthwhile, we increased our involvement. We now employ 1,100 people who came to us eligible for targeted jobs tax credits. This represents 7 precent of total employment in our stores. And we are very pleased to report that they have taken their jobs seriously. Revco's retention rate for regular employees in 1983 averaged 62 percent—a good figure considering that retail has a high employee turnover. The retention rate for TJTC eligible employees for 1983 not only was as good as the retention rate for regular employees—it was actually 1.4 percent better at 63.4 percent. It should be noted that both our hiring rate and our retention rate were somewhat lower in 1984. Through our own analysis, and in discussion with our manpower consultant, we find that this trend was not unique to Revco. The improvement economy—however temporary it may be—has resulted in increased regular employment for the disadvantaged. But these latest figures do not sway our belief that the TJTC works effectively to provide jobs when they are needed.

Everyone should understand the nature of retailing employment. The majority of the jobs we provide are market-entry positions that launch people into the workplace, whether in retailing or in other businesses. Thus, it is not surprising that we have a substantial turnover. However, we thought it important for purposes of this hearing to determine the reasons for losing some of our TJTC employees. We examined the cases of a random sampling to 20 percent of the TJTC employees who left our employment in 1984. Some, of course, were terminated. That is the nature of any business. But others left to relocate, to return to school, to take full-time work instead of part-time work, or had been employed only for the summer. We're pleased to find that a full 40 percent of this group resigned to take a better position with another employer. Sorry though we are to lose good employees, it is most gratifying to us to know that we gave them an opportunity to use their job with Revco to get a better job somewhere else.

Our records also indicate that the average amount we receive in tax credits per TJTC employee in a year is just $1,152—a sum which is less than half of the $3,000 we are eligible to receive per employee for the first year. Because we believe Revco is typical of other retailers, we can deduce that the cost estimates for this program, which are based on a $4,500 reimbursement rate, are far above the actual cost per employee. My point is this: the value of the program must be evaluated based on its real cost, not on an inflated hypothetical estimate.

To further demonstrate our support for the TJTC program, I should like to briefly describe Revco's involvement with a nonprofit organization named "70,001." This agency assists private industry councils in providing preemployment training for all categories of people eligible for job placement help under the job training partnership act. As you are aware, a central aspect of the JTPA is the targeted jobs tax credit. In Revco's home office area, we have taken a leadership role in establishing a pilot program within 70,001 for placement of the disadvantaged in retailing jobs. More than a passive contribution of money, our active support includes providing guidance, ideas, professional time, and some of the tools of our trade, such as cash registers. In addition, a member of Revco's corporate management staff sits on the agency's board of directors. We believe this pilot program could go nationwide, resulting in good jobs for people who really could use them. Its chance of success, however, depends to a large degree on the targeted jobs tax credit program.

I would like to share a personal story told to us by one of our 70,001 placement officers. And the story occurred just last week. It concerns a young woman—a mother of three—who had successfully completed her course of study and was certified ready for employment. On the morning of her first interview, the woman came to the 70,001 office. She was well groomed but seemed tired. The placement officer asked if something was wrong. The woman said she felt weak and confessed she hadn't eaten in 3 days. It seems she had used the last of her money to buy food for her children. Our placement officer insisted that breakfast was necessary before the interview and personally paid for the woman's meal. The interview was successful, the woman got the job and is now working full time. Without the targeted jobs tax credit, she might not have a job today.

To summarize, we believe the TJTC program is vital. But it requires attention to three aspects: One, a realistic cost estimate based on actual tax credits per individual, and not the potential $4,500 tax credit per individual. Two, the TJTC program needs a multiyear renewal—because it takes time to establish and nurture the complex relationships between employers, private industry councils and other organizations involved in the program. Three, and perhaps most important, the TJTC needs your continued support. We in retailing appreciate your work in keeping the program alive since its inception in 1978. We urge you to work toward long-term renewal of this program. If you are successful, everybody will win. Thank you.

Calculation of Net Tax Savings—TJTC—Revco D.S., Inc.

The chart below details the Targeted Jobs Tax Credit calculations for Revco D.S., Inc. Revco's fiscal year end occurs at the end of the month of May. The fiscal year 1985 projection is based on annualizing data from the first 9 months of the current fiscal year.

	Fiscal year—		
	1983	1984	1985 (projected)
Gross TJTC amount	$963,971	$1,781,829	$1,386,410
Effect of not deducting	−443,427	−819,641	−637,749
Net tax savings [1]	520,544	962,188	748,661

[1] The Net Tax Savings is further reduced by the fee paid to our TJTC consultant.

TJTC Retention Rates—Calendar Year 1983, Revco D.S. Inc.

The chart belows details the retention rate for TJTC eligible employees as compared to our general employee population retention rate.

	Total number hired	Number terminated less than—				Not terminated as of Dec. 31, 1983	
		0 to 3 mo. service	4 to 6 mo. service	7 to 9 mo. service	10 to 12 mo. service	Number	Percent
TJTC eligible employees	726	155	83	27	1	460	63.4
All employees	14,865	4,258	994	226	33	9,313	62.7

TJTC Retention Rates—Calendar Year 1984, Revco D.S. Inc.

The chart below details the retention rate for TJTC eligible employees as compared to our general employee population retention rate.

	Total number hired	Number terminated less than—				Not terminated as of Dec. 31, 1984	
		0 to 3 mo. service	4 to 6 mo. service	7 to 9 mo. service	10 to 12 mo. service	Number	Percent
TJTC eligible employees	544	162	59	23	1	299	[1] 55
All employees	18,640	5,150	1,113	330	31	12,016	[1] 65

[1] Retained.

TJTC Hiring Report by State—Calendar Year 1983, Revco D.S., Inc.

The chart below details the number of employees hired by Revco D.S., Inc. in each state in 1983. The chart further delineates the percentage of these employees identified as T.J.T.C. eligible.

	Total hired 1983	Total TJTC eligible hired 1983	Percentage of 1983 new hires TJTC eligible
State:			
Alabama	385	15	3.9
Arizona	731	62	8.5
Arkansas	94	6	6.4
Colorado	7		
Florida	705	17	2.4
Georgia	1,496	56	3.7
Illinois	173	11	6.4
Indiana	155	13	8.4
Iowa	27	3	11.1
Kansas	290	31	10.7
Kentucky	144	8	5.6
Louisiana	91	2	2.2
Maryland	255	24	9.4
Michigan	722	13	1.8
Mississippi	128	7	5.5
Missouri	191	19	10.0
New Mexico	224	22	9.8
New York	25		
North Carolina	1,642	63	3.8
Ohio	1,045	58	5.6
Oklahoma	154	10	6.5
Pennsylvania	349	37	10.6
South Carolina	1,221	53	4.3
Tennessee	987	30	3.0
Texas	2,748	119	4.3
Virginia	720	33	4.6
West Virginia	149	14	9.4
Wisconsin	3		

TJTC Certified Employee Termination Survey, Revco D.S. Inc.

We selected, at random, 52 TJTC certified employees who terminated their employment with Revco D.S., Inc. in calendar year 1984 and researched the reasons for their separations. We've summarized our findings below: 21, or 40 percent—resigned for better job or more schooling; 17, or 33 percent—discharged; 10, or 19 percent—resigned for personal reasons; and 4, or 8 percent—resigned—scheduling conflicts.

Calculation of Average TJTC Credit, Revco D.S., Inc.

The chart below details the method of calculation of the average tax credit per TJTC employee per year which was cited in Mr. Zeiger's testimony.

	Participants	Tax credit
Fiscal year:		
1983	892	$946,971
1984	1,306	1,781,151
1985 (annualized)	1,375	1,386,410
Total	3,573	4,114,532

Note.—$4,114,532 divided by 3,573 equals $1,152. $1,152 per participant average credit, per fiscal year.

Chairman RANGEL. We want to thank you for illustrating in a concrete way the partnership that does exist between the Government and the private sector. The fact is, as you pointed out, that it is truly a program that does work. You cannot really measure in dollars and cents the number of people who are given the opportunity to receive work experience or what the social and other costs would be if they were not given this opportunity.

You are familiar with the political barriers that we are going to have to overcome to get this program extended. So I do hope that those of you who have the ability to meet with your Representatives throughout this country can communicate the importance that it has not only to the companies. It is also beneficial to the communities and the country that you effectively try to get support back there. With everyone talking about reform and simplification, even though I do not know where the votes are, it may make it a little more difficult this year than it has been in the past.

Your testimony is hands-on testimony as to how it has worked in the past. We've got a reputation to move on. Mr. Campbell not only supports the bill, but as cosponsor of the bill, he is vital because of the role he plays not only on Ways and Means, but certainly in the House as well.

Mr. CAMPBELL. Thank you very much, Mr. Chairman.

And I want to thank the panel for their testimony. I apologize for having to go out for a few minutes.

Chairman RANGEL. You received the story from Martin Zeiger.

Mr. CAMPBELL. And I would like to tell Mr. Zeiger that I serve as congressional adviser to the 70,001 program in my district. And you are right; it is an excellent program. It has done a good job in counseling, and we have found that the placement rate and retention of those that do come through this program is higher than most of the other programs that we find anywhere because of the fact that we have a cooperative effort with the private sector in working with this program.

And I congratulate you for mentioning it and bringing it up. And I hope we are able to do that in other areas.

Chairman RANGEL. You might share it with us. Is there a counterpart to that in New York?

Mr. ZEIGER. I believe there is. It's called 70,001.

Chairman RANGEL. You might share this with our office.

Mr. ZEIGER. Sure.

Mr. CAMPBELL. I would like to probe just a moment if I can. I've been looking at it—and we look at figures of retention and they've been very good. And I'll just kind of throw this open to the whole group. Have we done any breakout of the groups to see whether we are retaining any more of any particular group than we are of other groups that we are qualifying under this program? Does anyone know?

Mr. SUPLIZIO. I have taken a look at the research in that area, Mr. Campbell. There just isn't very much. There certainly is no breakout of retention for the different segments of the targeted groups. There is an explicit distribution of retention that is used as the basis of the Treasury cost model. In other words, if you take an initial cohort, so many will be left after months one, two, three, four, and so on. They're saying about 10 percent will go into the second year with the same employer.

It may be higher or may be lower, because no one knows. The present estimate was derived by a researcher at the Department of Labor using longitudinal survey data—where DOL monitors the labor force experiences of a group over time—that was pretty well holding for similar types of groups, but there was no direct data for TJTC component groups themselves.

So this is one of the things that the evaluation that Labor has now let for a study for that won't be completed until next year, next February, will answer. And just having been through the research, I do not think that there is very much on it at the present time.

In fact, the experience of the various firms is probably the best that we have to go on right now.

Mr. CAMPBELL. Let me ask Mr. Zeiger. You mentioned—of course, I am looking at your testimony and also at the addendum that you prepared and gave to us. And in your testimony you mentioned that 40 percent resigned for better jobs and more schooling which is exactly what we'd love to see happen, people better themselves and go on up.

But you also note in here of a group in that selected study that 33 percent were discharged. Do you have any record as to why they were discharged?

Mr. ZEIGER. The performance of the people who were discharged under the TJTC certified program is frankly no different than the general performance of people in general. It is just an employee turnover mostly dealing with absenteeism.

Mr. CAMPBELL. That is what I was driving toward.

Mr. ZEIGER. But no different for these people than the others.

Mr. CAMPBELL. I understand. But that is the major reason that you find for discharge is absenteeism, just not coming to work?

Mr. ZEIGER. That is ours.

Mr. CAMPBELL. Thank you.

Chairman RANGEL. We thank all of you. If there is some testimony that you neglected to give, we will allow the record to remain open so you can submit it at a later date. Thank you for your contribution.

The next panel will be Thomas Etzkorn, vice president of the Dayton Hudson Corp.; Ronald A. Sarasin, National Restaurant Association, Kevin Morrow and Debbie Jo Palk, from the Foodservice and Lodging Institute; and Janet M. Tully of the American Hotel and Motel Association.

Let us start with Mr. Etzkorn.

STATEMENT OF THOMAS M. ETZKORN, VICE PRESIDENT, EMPLOYEE RELATIONS, DAYTON HUDSON CORP., ON BEHALF OF THE ASSOCIATION OF GENERAL MERCHANDISE CHAINS (AGMC), INC.

Mr. ETZKORN. Mr. Chairman, my name is Thomas Etzkorn, and I am the vice president for employee relations of the Dayton Hudson Corp.

We are a diversified national retailing group headquartered in Minneapolis, MN and employ in excess of 115,000 employees. I am testifying on behalf of the Association of General Merchandise Chains.

The AGMC represents a broad spectrum of the Nation's general merchandise industry. Its member stores are located in all 50 States and in 1984 accounted for more than $50 billion in sales. AGMC members employ in excess of 700,000 people. AGMC's statement today is also endorsed by the American Retail Federation which covers 50 State and 30 national retail associations.

For the past 4 years the Dayton Hudson Corp. has been involved in the Targeted Jobs Tax Credit Program. We would like to share with you today what we believe to be the value of the program and some of the efforts we have made to make the program work as Congress intended.

To successfully coordinate the identification of pools of TJTC candidates, Dayton Hudson staffed a TJTC management team. They work closely with local job services and nonprofit agencies in developing a resource for our nationwide employment needs. From the onset, we became partners with the local job services and community agencies to complete both the certification process and, more importantly, to cooperate in identifying an employment pool of TJTC eligible candidates.

We established an in-house department to manage the TJTC effort making it available to non-Dayton Hudson companies as well. To ensure that our store managers are involved in making the program work, the resulting tax credit is allocated to each store. This means that tax credit will be reflected in the store's bottom line, a real incentive to make an impact in hiring decisions at the local level.

We are committed to making the Targeted Jobs Tax Credit Program work through community partnership, placing hard to employ people. Here are but a few examples. During 1984 in California, Texas, and Washington, 18 Target and Mervyn's stores were opened, providing employment opportunities for more than 4,500 people. The local job services were involved in each of these mass hire situations. In almost all cases, the store management placed job orders requesting TJTC qualified candidates with the result that over 350 TJTC employees hired.

At our B. Dalton book sellers division the employment representatives have worked with various community agencies to resolve barriers to employment such as child care, special equipment for handicapped, transportation, et cetera. In fact, B. Dalton is in the process of developing a formal recruitment plan aimed specifically at TJTC-eligible employers role utilizing community nonprofit agencies as a resource.

My written statement cites many more examples.

Our ability to impact hiring practices in the stores has been a long process and is not yet completed. With 2 years of consistent reinforcement bolstered by both a reduction in payroll dollars and a natural eroding of stereotypic perceptions, the hiring of TJTC employees is becoming institutionalized.

Our company sees significant long-term benefits beyond the actual tax credit such as providing a work force that is representative of our local communities. We find that over 7 percent of our new hire employee population is represented by TJTC qualified employees.

Second, TJTC provides an opportunity for us to meet our corporate civic responsibility to the residents of the communities in which we do business.

Third, TJTC qualified employees hired into part-time positions move into full-time classifications at both Dayton Hudson as well as other employers. Their job at Dayton Hudson is often their first chance for employment.

In addition, Dayton Hudson Corp. has served as a TJTC resource for the Minneapolis-based business community. Through an organization which develops employment opportunties, the Neighborhood Employment Task, we provide technical TJTC assistance to other companies. As a result, small and medium-sized businesses have been able to become involved. More importantly, unemployed persons in the neighborhoods are matched with companies looking for TJTC eligible employees.

In conclusion, we believe TJTC is a highly effective means of promoting employment. We believe that it serves businesses of all sizes in our industry to ensure that initial changes in companies hiring practices are maintained over time, employers need some assurance that the TJTC Program will continue to be available as they commit to startup and implementation. Therefore, we strongly urge Congress to approve a multiyear extension. Thank you for the opportunity to present our views.

[The prepared statement follows:]

STATEMENT OF THOMAS M. ETZKORN, VICE PRESIDENT, EMPLOYEE RELATIONS, DAYTON HUDSON CORP., ON BEHALF OF ASSOCIATION OF GENERAL MERCHANDISE CHAINS, INC.

My name is Tom Etzkorn, and I am the vice president of employee relations at the Dayton Hudson Corp. We are a diversified national retailing group headquartered in Minneapolis, MN. I am testifying on behalf of the Association of General Merchandise Chains [AGMC].

The Association of General Merchandise Chains represents a broad spectrum of the Nation's general merchandise retail industry. AGMC's membership includes retail companies that operate more than 20,000 discount, variety, dollar, junior department, family center, off-price, factory outlet, catalog showroom, and other general merchandise stores. These members range widely in size and include many of the Nation's largest retail chains as well as companies active in one or more regions of the country and those with only a few locations, or even a single store. AGMC member stores are located in all 50 States and in 1984 accounted for more than $50 billion in sales. AGMC members employ in excess of 700,000 people.

AGMC's statement today is also endorsed by the American Retail Federation, a federation of 50 State and 30 national retail associations.

For the past 4 years, the Dayton Hudson Corp. has been involved in the Targeted Jobs Tax Credit Program. In 1983 and 1984, a major commitment was made to increase our stores' participation as evidenced by hiring onto our corporate staff, a TJTC management team. The team advises, trains and works with over 1,100 locations to implement and administer the TJTC program. We at Dayton Hudson are exicted about our progress.

We would like to share with you today what we believe to be the value of the program and some of the efforts we have made to make the program work as Congress intended.

To successfully coordinate the identification of pools of TJTC candidates, Dayton Hudson staffed a TJTC Management Team. They work closely with local job services and nonprofit agencies in developing a resource for our employment needs.

From the onset, we became partners with the local job services and community agencies to complete both the certification process and more importantly to cooperate in identifying a pool of TJTC eligible candidates.

We established an in-house department to manage the TJTC effort, making it available to non-Dayton Hudson companies as well.

To insure that our store managers are involved in making the program work, the resulting tax credit is allocated to each store. This means the tax credit will be reflected in the store's bottom line—a real incentive to having an impact on hiring decisions at the local level.

Our corporation is committed to making the Targeted Jobs Tax Credit program work through community partnerships in placing hard-to-employ people. We could cite many examples that support this philosophy. Here are just a few:

Target and Mervyn's. New Store Openings: During 1984, in California, Texas and Washington, 18 stores were opened providing employment opportunities to more than 4,500 people. The local Job Services were involved in each of these mass-hire situations. In almost all cases, the store management placed job orders requesting TJTC-qualified candidates.

Lechmere—Our specialty merchandiser in New England held an information exchange with representatives from educational and community-based nonprofit agencies. In it they provided an overview of their management philosophy, priorities, hiring guidelines and projected growth of jobs in the next 5 years. Lechmere asked for candidate referrals with TJTC vouchers in hand.

B. Dalton Booksellers—The B. Dalton employment representatives have worked with community agencies to resolve barriers to employment such as: child care, special equipment for handicapped, transportation, etc. In fact, B. Dalton is in the process of developing a formal recruitment plan aimed specifically at hard-to-employ TJTC-eligible employees, utilizing community nonprofit agencies as a resource.

The Dayton Hudson Department Store Co.—At the Dayton's division, a special effort was made to work with a community agency in Minneapollis to recruit among youth. These youths are working in the Distribution Center and functioning quite effectively. At the Detroit-based Hudson's division, we have been able to promote numerous part-time TJTC eligible employees into full-time jobs in security and the corporate offices.

We could cite many more examples for the Dayton Hudson operating companies.

Our ability to impact hiring practices in the stores has been a long process and is not yet completed. With two years of consistent reinforcement, bolstered by both a reduction in payroll dollars and the natural eroding of stereotypic perceptions, the hiring TJTC-qualified employees is becoming institutionalized.

Our company sees significant long-term benefits beyond the actual tax credit such as:

Providing a work force that is representative of our local communities. We find that 10–12 percent of our employee population is represented by Targeted Jobs Tax Credit groups. This representative work force helps us better understand our community and retailing market.

TJTC provides an opportunity for us to meet our corporate responsibility to residents in the communities in which we do business. Also the reality of having an employed, rather than and unemployed, population provides a much better economic climate in which to do business.

TJTC qualified employees, hired into part-time positions, move into full-time classifications at both DHC as well as other employers. Their job at Dayton Hudson is often their first chance for employment.

Students employed in the retailing industry are afforded an opportunity to earn disposable income, thus, meeting their living and educational financial needs.

Because of our experience with TJTC, the Dayton Hudson Corporation has served as a TJTC, the Dayton Hudson Corporation has served as a TJTC resource to the Minneapolis-based business community. Through an organization which develops employment opportunities, the Neighborhood Employment Task Force, we provide technical assistance to small and medium-sized companies.

As a result: Small and medium sized businesses have been able to become involved. Unemployed persons in the neighborhoods are matched with the companies looking for TJTC eligible employees.

In conclusion, we believe TJTC is a highly effective incentive program. We believe that it serves businesses of all sizes in our industry. To insure that initial changes in companies' hiring practices are maintained over time, employers need some assurance that the TJTC program will continue to be available as they commit financial resources and manpower to start-up and implementation. Therefore, we strongly urge Congress to approve a multiyear extension.

Thank you for the opportunity to present our views.

Chairman RANGEL. Thank you very much.

Mr. Sarasin.

STATEMENT OF RONALD A. SARASIN, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL RESTAURANT ASSOCIATION

Mr. SARASIN. I'm Ron Sarasin, the director of government relations for the National Restaurant Association; and our association represents 10,000 members and approximately 100,000 food service outlets nationwide.

Mr. Chairman, if I may, I will not read from my statement but will submit it for the record and I'd like to highlight several of the things.

Chairman RANGEL. Without objection.

Mr. SARASIN. The food service industry employs about 8 million people. We are the largest industry in the country. We represent about 5 percent of the gross national product. There are a lot of little pieces, but when you put it together, it is a tremendous industry.

We believe we account for something like 25 or 33 percent of all the TJTC placements. Most of our members that do manage to use the program tend to be our larger members rather than our smaller members.

It is difficult, we find, to encourage the smaller members to get involved in the program, although we, as an association, certainly have supported the program over the years and continue to bring it to our members' attention, explain the process, and so forth.

We find that one of the deterrents is the reluctance of Congress to make this a more or less permanent program. The idea that the Congress has come along and allowed a 1 or, at most, 2-year extension has been, we think, a detriment to the success of the program; and we believe that your bill, Mr. Chairman, goes a long way to resolving the problems that have existed in that at least you would lay out a 5-year period and encourage people to get involved. The program would be there for a while.

Historically, participation in these programs has been very slow to build, and your bill would get at that situation. One of our multiunit members reported that in 1978, it hired 200 targeted individuals, now it employs over 5,000.

It is still estimated that only 10 percent of all the employers use the credit and fewer than 10 percent of those individuals eligible for the credit have been hired. So it is a program that should have a great opportunity to continue to expand.

The critics of the program have claimed that no new hiring is being done, that what you're simply doing is hiring someone that would have been hired anyway. Even if that were true—we don't believe it's true; we believe the statistics clearly show that's not true—but even if it were true, it would mean that the program was a success, because it is designed to target certain individuals who are disadvantaged for a variety of reasons and put them into the work force. And in our business, as in much of the retail business, we are the first rung on the ladder. We do provide that opportunity for an awful lot of people, either to go on to something else, not staying in the industry or to remain in the food service industry where we think tremendous careers are available.

The job-creation aspect of it has been documented by Dr. John Bishop of Ohio State University, whose studies indicate that for every 10 individuals hired, there is an increase in employment of three people. A more conservative estimate by the Maryland Employment & Training Administration says that for every 10 TJTC jobs, there is a net addition of one to the labor force.

There is no one, I think, that can deny that the credit has resulted in socially beneficial changes in employer-hiring decisions. Our members go to considerable length to select out the TJTC-qualified people. And I think we have to understand as well, Mr. Chairman, that there is a real world situation that we are dealing with. The fact that there is a credit means—will probably mean more to the controller and the finance people at the corporate level rather than the individual trying to run a Kentucky Fried Chicken store or a Long John Silver's or any of the other fast-food operations that are out there. And there has to be an incentive to the individual running the store to be part of this program, because he has to get over some hangups on his own—the idea that he wasn't initially anxious to go out and hire someone in the TJTC, community. His interest is getting someone who would be on the job on time, dressed properly for the job, and may not be interested in going out to try and select from a different category.

In most cases, in fact in all cases that I am aware of, there is an incentive passed down to that store manager. There is some kind of a financial attraction or incentive so that those TJTC credits, tax credits, are shared right down to the store level with the manager.

The restaurant association as an entity is particularly proud of its efforts to place mentally-and-physically impaired individuals in food service jobs. We've placed about 5,000 through our Projects With Industry [PWI] programs just in the last year alone. All of the rehabilitation agencies are aware of the great advantage they have with the TJTC program.

We believe, Mr. Chairman, that the program is a good one. We certainly have been very, very supportive of it since its inception; we intend to continue the support. We know that these are difficult times and dollars are a problem. We do not see this program as a waste of dollars at all. If it costs anything to the Government, it's very, very little. In fact, we firmly believe it doesn't cost the Government anything. It does what it set out to accomplish. It targets certain individual groups of people. And it performs very, very well. We support the extension. Thank you.

[The prepared statement follows:]

Statement of Ronald A. Sarasin, Director of Government Relations, the National Restaurant Association

Good afternoon. My name is Ron Sarasin and I am the Director of Government Relations of the National Restaurant Association.

The National Restaurant Association is a nonprofit trade association with 10,000 members operating over 100,000 foodservice outlets nationwide. In addition to restaurants, fast food enterprises and cafeterias, our member companies provide foodservice for hotels, airlines, hospitals, universities and a variety of other institutions. The foodservice industry is the nation's largest retail employer—providing jobs to approximately 8 million people—and foodservice employers as a group are one of the largest users of the Targeted Jobs Tax Credit [TJTC]. We estimate that total certifications generated by foodservice (and allied industries such as hotel/motels and clubs) now account for 25 percent to 33 percent of all TJTC certifications.

Although our larger multi-unit members are the most frequent users of this credit, mid-sized companies and small independent operators are now participating in greater numbers. In fact, the New York State Labor Department has estimated that 80 percent of the employers participating in that state have fewer than 100 employees. In general, use has increased dramatically in the recent years, but a major deterrent to use among all businesses continues to be Congress' reluctance to make TJTC a permanent program. Since its inception in 1978, the credit has been reauthorized one or two years at a time, the most recent instance being the one-year extension in the 1984 Tax Act.

Many of our members are understandably hesitant to begin or increase participation in a program that has a limited life, especially when it may take them several years to put their own program into effect. Lack of participation in TJTC can also be attributed to other factors as well, including the Department of Labor's lack of promotion, skepticism on the part of employers who have been caught in the paperwork of previous federal job creation programs, and the fact that local employment offices have been unfamiliar with the program or have given it a low priority.

TJTC participation cannot reach its potential without long-term extension along the lines of the Rangel bill (H.R. 983). Historically, participation in such programs has been slow to build but increases steadily in later years. For example, one of our multi-unit members reports that in 1978 it hired about 200 targeted individuals. Now it employees over 5,000.

Despite these gains, it is estimated that only 10 percent of all employers use the credit, and fewer than 10 percent of those individuals eligible for the credit have been hired as a result of the program. Clearly, the way to improve upon these dismal statistics is not to extend the credit for just one more year but to enact a multi-year extension and provide the Department of Labor with enough funds to make the program work effectively.

We believe TJTC represents one of the most efficient uses of tax incentives to create jobs for the chronically unemployed. Critics claim that TJTC results in no new jobs—just a shift in hiring toward targeted workers without expansion. Even if that were the case, we would respond by stating that such a shift in hiring practices is what the original legislation intended. However, the credit does lower an employer's labor costs and that in turn results in increased employment. It also has the effect of preserving jobs that would otherwise be eliminated due to rising labor costs. One of our members, Morrison, Inc., testified before this panel last year that savings from TJTC had enabled it to finance a new unit and thus hire an additional 60 employees. Also, by making use of the credit in one of its marginally-profitable units, Morrison's was able to keep open a unit scheduled to close, thus savings jobs that would have been lost.

The effect TJTC has on job creation has been documented by Dr. John Bishop of Ohio State University, whose studies indicate that for every ten individuals hired through the credit, there is an increase in employment of three people. A more conservative estimate by the Maryland Employment and Training Administration is that one out of every ten TJTC jobs represents a net addition to the labor force.

Even if one were to accept the premise that there is not a net increase in jobs as a result of TJTC, one cannot deny that the credit has resulted in socially beneficial changes in employer hiring decisions. Many of our members now go to considerable lengths to seek TJTC eligible employees. Many have in-house TJTC coordinators who work closely with local job service offices, rehabilitation agencies and community groups to place individuals in their establishments. Hiring practices have been changed to allow for younger employees, part-time workers, the handicapped and ex-offenders. Special training programs have been established to help TJTC hires perform successfully on the job. The result has been a greater willingness on the part of employers to give those traditionally short-changed in the labor market a chance to learn new skills and establish an employment history that benefits them in securing future jobs.

According to Don Beaver, a manager at a Long John Silver Restaurant in Miami, Oklahoma, TJTC is a "fantastic program".

"A lot of these people have been down," he advised NRA. "The employees really appreciate the fact that someone gave them a chance. Most have been hired at entry level and many are now in management. Their longevity is better than regular hires. It's a sound investment from all angles," he added.

The National Restaurant Association is particularly proud of its efforts to place both mentally and physically impaired individuals in foodservice jobs. Last year we placed more than 5,000 handicapped persons in competitive foodservice employment through our Projects With Industry [PWI] program.

Rehabilitation agencies report that TJTC is a powerful incentive for employers to hire the handicapped, especially if the employer has to make costly structural changes in his establishment to accommodate them. Many of these people would not be hired without the credit. And, ironically, it is becoming more and more evident that the handicapped, when given a chance, make model employees. Studies show that the handicapped have unsurpassed attendance records, have fewer disabling injuries than the average worker exposed to the same work hazards, have no effect on employer insurance costs and rate high on performance evaluations. Overall, they are stable, motivated, reliable and loyal employees.

Unfortunately, the handicapped and the other targeted groups are often viewed by employers as an "unknown quantity." Without the economic incentive provided by TJTC, many employers are not inclined to hire these individuals. Yet, as a result of using the credit, many of our members tell us they now give preference to applicants who are members of a targeted group, and other companies have set goals of hiring a certain percentage of TJTC employees each year. We also find that targeted employees as a group stay longer on the job than the average employee, due to their desire to hold a job and earn an income and the manager's willingness to work with them until he is satisfied they are capable of performing the job.

Not only are TJTC employees eager workers, but most have an opportunity to advance in their company. TJTC employees, past and present, are represented at all levels in our member establishments, from manager to dishwasher to counter worker. The foodservice industry is particularly well suited to provide entry-level jobs to members of targeted groups, who typically have no work experience or are unskilled. The jobs provide valuable experience and training and add to an individual's ability to advance or pursue other career goals. For targeted individuals, a job in foodservice means that first rung on the economic ladder. For many who have been dependent on government subsidies, it means a chance to establish self-sufficiency and self-esteem—a chance to become a productive, tax-paying member of society.

Many question the need for continued credits, especially for those "enlightened" employers who have become enthusiastic supporters of hiring the handicapped or the economically disadvantaged. But even the most community-minded businessperson cannot afford to subsidize the hiring of targeted individuals simply out of the goodness of his or her heart. We believe an economic incentive is needed for employers to hire from the targeted groups. From what many employers have told us, it is fairly clear that were the credit eliminated, hiring among these categories would drop substantially.

Many critics say the program is too expensive to continue, especially in this time of fiscal austerity. We disagree. In fact, we believe TJTC is one of the most cost-effective job programs ever enacted. When one compares total credits taken versus what would have been paid out in welfare, social security, unemployment insurance and other benefits, plus the additional revenue in federal income and FICA taxes that come with employment, TJTC is not nearly as large a drain on the Treasury as the critics have suggested. A study by the Maryland Employment and Training Administration showed that the average net cost to the government for hiring a TJTC employee was just $467.97. Even if one takes the higher Congressional Budget Office figure of $2,500 for each low-income youth employed, the cost is still less than half of the $5,400 required to train such a youth under the new Job Training Partnership Act.

And when a handicapped individual is taken off government aid and begins a permanent job, the savings are tremendous. A general rule of thumb is that for every $1 invested in a PWI training program, $10 is realized in savings to the government. A special example is the Eastern Seal Goodwill Rehabilitation Center in New Haven, Connecticut, where $114,000 in federal grant money was used in 1983 to train and place 155 handicapped individuals. The center estimates that the placements saved the government $594,000 in public subsidies and provided $330,000 in taxes paid by the new employees, a total savings of over $900,000!

To let the credit expire after this year would be a severe setback in congressional efforts to provide jobs to those persons who are hard to employ. With use higher than ever, it would be tragic to end the credit now. The bill introduced by Congressman Rangel to extend the credit for five years should be enacted. A five-year extension would send a signal to employers that Congress believes providing employment through tax incentives is a sound concept and that it is willing to give employers enough time to make it work. Thank you.

Chairman **Rangel**. Thank you very much.

We have a problem. Those bells indicate that we have a 15-minute vote from the time the first bells ring; then there is going to be another vote to follow. So that it looks like another 20 minutes; however, your testimony for this panel—we still have another panel—I would just hate to have you to wait another 20 minutes.

If you want, I could accept your testimony for the record, but when this next set of bells rings, I'm going to have to leave. So if you want, I could accept your testimony and excuse you all or we can wait 20 minutes and resume the hearing. Is this OK? Thank you.

[Whereupon a 20-minute recess was taken.]

Chairman **Rangel**. We will resume our hearing.

Ms. **Palka**. You know that Kevin Morrow is not here. Kevin Morrow is not here. I did not know if you knew that or not. He is on this list.

Chairman **Rangel**. Yes, I can see that.

Ms. **Palka**. He was not able to come.

Chairman **Rangel**. I assume he will submit his testimony, but——

Ms. **Palka**. Right.

Chairman **Rangel** [continuing]. You can submit yours and highlight it, or testify as you feel most comfortable.

STATEMENT OF DEBBIE JO PALKA, TJTC COORDINATOR FOR WHITE CASTLE SYSTEM, INC., FARMINGTON, MI, ON BEHALF OF THE FOODSERVICE AND LODGING INSTITUTE

Ms. **Palka**. My name is Debbie Jo Palka and I am a TJTC coordinator for the White Castle System Restaurant in the Detroit area.

I was hired myself as a TJTC applicant, and I would also like to thank you for this opportunity to come before you to testify for the TJTC. As a representative for the White Castle System I would like to see it extended through 1990.

White Castle hired me as a TJTC 6 years ago and I was given the opportunity to broaden my skills and build my self-esteem. And I have been consistently praised for my job performance.

Since 1982, I have been organizing the TJTC program in the Detroit area, and I have been helping economically disadvantaged people get an opportunity just like I was given. White Castle trains the people that they hire. It is not as though they have to be trained already to start working for us.

We supply them with the job in which they can grow with the company and be provided a career ladder. I just had a short testimony like this. I would like to see it extended, as it has helped me. I was a co-op student in TJTC in 1979, and I would like to see it extended myself.

[The prepared statement follows:]

STATEMENT OF THE FOODSERVICE AND LODGING INSTITUTE

The Foodservice and Lodging Institute [FLI], a trade industry group of the Nation's major multiunit and multi-State restaurant and hotel companies herewith submits a statement in enthusiastic support for Bill H.R. 983 to extend the Targeted Job Tax Credit for five additional years, to increase the amount of wages to which the credit can be applied to $10,000 and to liberalize the definition of economically disadvantaged families.

Every member of the Institute (a list of members is appended to this statement) utilizes TJTC. The degree to which the Institute supports TJTC can be evidenced by the fact that, at its February meeting in Washington, the Institute made TJTC extension its top legislative priority for 1985. We firmly believe that TJTC is the most effective tool of the Federal Government for combatting structural unemployment. It works and it works well. It is good for employers, it is good for employees and, above all, it is good for the Federal Government.

The members of the Institute have found over the years that the very existence of TJTC allows them to work in close harmony with local community groups which know, first hand, who in their neighborhoods are most in need of employment. Since the inception of TJTC, our members have worked closely with state and local employment service offices, community self-help groups, religious groups, veterans' groups, outreach coordinators, ex-offender groups, school administrators and hundreds of others to identify TJTC eligibles who want to work but are having a tough time finding meaningful employment. This is the key, whether it be a job paying the minimum wage or a job paying five times that amount, legal employment is meaningful employment. The policy goals established by Congress when TJTC was created in 1978 were simple and straightforward. There were people who were—and still here—having a tough time in the job market and the Congress felt that it was "appropriate to focus employment incentives on those people who have high unemployment rates and on other groups with special employment needs" (House Report 95-1445). TJTC is achieving that policy goal.

THE TARGETED JOBS TAX CREDIT OFFERS A WAY OUT FOR POVERTY FOR THE STRUCTURALLY UNEMPLOYED

The Targeted Jobs Tax Credit offers a path out of poverty and joblessness for persons who are economically disadvantaged and who lack the basic skills or experience to compete effectively on the job market. It removes a veil of discrimination by providing incentives to employers to take a chance they might not normally take in their hiring practices. It enhances jobs and career propsects for low income people and provides an incentive for employers to act according to self-interest while accomplishing Federal policy objectives.

There are those who continue to say that the TJTC is discriminatory in nature; that the hiring of of a "targeted group" member can mean that someone else may be unfairly denied a job. That's true but that is what Congress intended. With TJTC, Congress is trying to ameliorate the most destructive form of unemployment—that of structural unemployment. It's not discrimination to give the discouraged long-term unemployed worker an even chance in the job market. It's not discrimination to give that same chance to disabled and handicapped people or an ex-felon. When the President's Committee on the Employment of the Handicapped estimates that the unemployment rate among disabled persons is between 50 and 75 percent, we are for giving them all the extra incentives they can get.

The members of the Institute make a special effort in this regard. Our members spend considerable time, expense and effort seeking out individuals from all nine categories. Many have hired in-house TJTC coordinators who travel about the country discussing with district, regional and unit managers ways to increase TJTC utilization. In management training programs of our members, there are orientation sections on TJTC. Training materials are designed to recruit TJTC eligibles. Several companies motivate store managers to hire TJTC eligibles by providing cash bonuses of each eligible hired.

With strong, dedicated commitments from senior management officials, including, in some instances, presidents and chief executive officers, corporate training programs for management personnel have been set up to include extensive discussion on TJTC. In several instances, member companies have changed corporate hiring policies—one company which hired only persons over 18 years of age changed that policy to include 16 and 17 years olds and then created new jobs within their establishments for 16 and 17 years olds to fill. On December 31, 1982, this company which operated 640 restaurants in approximately 17 states had hired only 120 TJTC eligibles. One year later, that number grew to 1,625 in 651 restaurants. Of those 1,625 eligibles hired, 230 were 16 and 17 years olds. On December 31, 1984, this same company hired 3,503 TJTC eligibles and of that number 335 were 16 and 17 years olds hired under the summer youth category. We should point out that those 335 summer youth jobs were created by that company.

As an industry, the Institute has tried to fill the void created by the indifference of Federal agencies mandated by Congress to administer the program by instructing its members, as well as nonmembers regarding methods to seek out eligible individuals. We have urged continuously over the past several years, for the Internal Revenue Service to finalize their proposed rules regarding application of TJTC. They are still not final. Our members have spoken before industry and community groups sharing with all of them our employment strategies with respect to TJTC. It is interesting to note that the President's Advisory Council and Private Sector Initiatives, in its report on the Private Sector Summer Jobs Program, underscored the need for "increased marketing of TJTC to assure a more complete and accurate understanding of how employers may receive tax credits.

The foodservice industry has made and will continue to make a dedicated commitment to making TJTC a success. The industry now asks Congress to make similar commitment and extend the entire program for 5 more years.

FOODSERVICE AND LODGING INSTITUTE—ROSTER OF MEMBERS

ARA Services, Inc.
Benihana National Corporation.
Canteen Corporation.
Chi-Chi's, Inc.
Church's Fried Chicken, Inc.
Collins Foods International, Inc.
Davis Brothers' Cafeterias and Motor Lodges.
Denny's, Inc.
Dunkin Donuts of America, Inc.
Elby's Family Restaurant (The Boury Corporation).
El Chico Corporation.
Friendly Ice Cream Corporation.
General Mills, Inc.
General Mills Restaurant Group, Inc.
Greyhound Corporation.
Hilton Hotels Corporation.
Holiday Inns, Inc.
Host International, Inc.
Hungry Tiger Restaurants, Inc.
IMASCO USA (Hardee's).
IHOP Corporation.
Jerrico, Inc.
KFC Corporation.
Bill Knapp's
Magic Pan Restaurants, Inc.
McDonald's Corporation.
MCL Cafeterias, Inc.
Morrison Incorporated
Piccadilly Cafeterias, Inc.
Pizza Hut, Inc.
The Pizza Inn, Inc.
Ponderosa, Inc.
Saga Corporation.
Servomation Corporation.
Shoney's Inc.
Swensen's Ice Cream Company.
Szabo Food Service, Inc. (Oakbrook Consolidated, Inc.).
Victoria Station, Inc.
The Waffle House, Inc.
Walgreen Company.
Wendy's International, Inc.
Whataburger, Inc.
White Castle System, Inc.

Chairman RANGEL. Yes. That is living proof that it works.

Ms. Tully, the manager of community employment and training for Marriott.

Ms. TULLY. I am just going to briefly summarize.

Chairman RANGEL. Your full statement will appear in the record.

Thank you for waiting.

STATEMENT OF JANET M. TULLY, MANAGER, COMMUNITY EMPLOYMENT AND TRAINING PROGRAMS, MARRIOTT CORP., ON BEHALF OF THE AMERICAN HOTEL & MOTEL ASSOCIATION

Ms. TULLY. I have been involved with the TJTC Program since 1979. During that time, Marriott, up until this point has hired over 20,000 TJTC employees.

Based on our experience, Marriott has developed what I believe is a productive in-house procedure for successful recruitment of TJTC-eligible applicants. We have appointed several TJTC coordinators who work throughout the Nation, prescreening and referring eligible applicants to our hotels and restaurants.

These coordinators are aware of openings that are in our restaurants and our hotels; they set up appointments with the employment services; go down and set up; they prescreen applicants; they speak with TJTC-eligible applicants and refer them on to where our openings are at our different facilities.

Then the applicants are interviewed by the managers, and at that point they go on to employment. It helps them. Naturally, when the managers meet them, they know that they are eligible for TJTC, and this enhances their chance to get a job. Our managers are very aware of the TJTC Program.

We have experienced a definite increase in the placement of TJTC applicants through these procedures. In addition, managers who have had successful TJTC hires actively seek more, and are pleased by the double benefits of the tax credit and community contribution.

For the handicapped, TJTC has been a particular boon. It has provided just that extra incentive to busy managers who have been reluctant to take the extra time and patience often required to deal with some handicapped employees. With TJTC they realize that even if the person is not 100 percent productive right away, there will be a credit to the wages to offset the deficit in the beginning.

We have seen some wonderful success stories for handicapped persons who were given the opportunity to prove themselves, due to TJTC. Our successes with these programs have inspired others, such as training programs for the hearing impaired and mildly mentally retarded.

At this time, we are working in conjunction with the Goodwill agency, and work with a job coach in our Roy Rogers fast food restaurants.

In the past, fast food has really not been the place that is conducive to hiring the handicapped because of the pace of the business. And we are working with the National Restaurant Association in our pilot project to hire handicapped and helping them with the job coach on the job.

I really believe that a lot of these programs would not have been started had we not had TJTC to help push the program in the beginning. I think TJTC provides a great opportunity for people who have difficulty finding work.

Here again, the statement was made that with Marriott our bottom line actually on TJTC is 27 percent. Marriott Corp. over the 5 years of TJTC, has received $12 million on the bottom line, an average of $4 million a year, but during that time we have doubled the size of our corporation, opened 50 new hotels, numerous restaurants and our in-flight services.

So whether you can actually sit down and say, did this create new jobs, it is difficult to say. It certainly helped us on our bottom line, helped us grow and expand.

That is most of my statement.

Chairman **Rangel**. We really appreciate that, and we also appreciate all the help that you can give us across the Nation, in gaining support on this bill. We are confident we will get the bill marked up and out of committee. We have no idea whether we will face any problems on the floor. So whatever you can do will be appreciated. We thank both of you for your testimony.

[The prepared statement follows:]

STATEMENT OF JANET M. TULLY, MANAGER, COMMUNITY EMPLOYMENT AND TRAINING PROGRAMS, MARRIOTT CORP., ON BEHALF OF THE AMERICAN HOTEL AND MOTEL ASSOCIATION

I am speaking on behalf of the Marriott Coroporation and the American Hotel-Motel Association in support of renewal of the TJTC bill. I have been working with this program since 1979 and find it has benefited many disadvantaged and handicapped persons. During our five year participation, Marriott has hired over 20,000 TJTC eligible employees.

Based on our experience, Marriott has developed what I believe is a productive in-house procedure for successful recruitment of TJTC eligible applicants.

We have appointed several TJTC coordinators who work throughout the nation pre-screening and referring eligible applicants to our hotels and restaurants. These coordinators are aware of the vacancies in the various Marriott operations in a given area. They routinely set up appointments with the local job service, Vocational Rehabilitation agencies or ex-offender programs requesting TJTC eligible applicants who are then pre-screened by the coordinators to see if they meet basic requirements, such as the ability to work available hours. Successful applicants are then referred to an appropriate Marriott facility where they are again interviewed, this time by the unit's manager. Their chances for getting hired are very good because the coordinators know what kind of individual will meet the needs of a particular operation and the managers, knowing they have a TJTC eligible applicant, will make a special effort to place him or her.

We have experienced a definite increase in the placement of TJTC applicants through these procedures, and have found some very good people who may not have otherwise been given an opportunity.

In addition, managers who have had successful TJTC hires, actively seek more and are pleased by the double benefits of the tax credit and a community contribution.

Before TJTC, our managers were not familiar with their local job service offices nor did they feel inclined to work with them. Since TJTC the benefits of working with local job service representatives have become well known. The best example is in the opening of our new hotels, where the Employment Service supplies hundreds of TJTC applicants.

During visits to Employment Services offices over the past year or so, our coordinators have found that they are meeting representatives from other companies performing a similar pre-screening procedure; McDonald's, Burger King, Kentucky Fried Chicken, Holiday Inns, Hilton and Ramada Inns are all represented and they too are using the Employment Service for pre-opening hiring.

For the handicapped, TJTC has been a particular boon. It has provided just that extra incentive to busy managers who have been reluctant to take the extra time and patience often required to deal with some handicapped employees. With TJTC they realize that even if the person is not 100% productive right away there will be a credit to wages to offset the deficit. We have seen some wonderful success stories for handicapped persons who were given the opportunity to prove themselves due to the TJTC program.

Our success with these programs have inspired others, such as training programs for the hearing impaired and mildly mentally retarded. At this time, we are working in conjunction with the Goodwill Agency to work with a Job Coach in our Roy Rogers fast food restaurants. We will employ many people with varying degrees of disabilities in an area that, in the past, has been a difficult one in which to place handicapped persons.

I think TJTC provides a great opportunity for people who have difficulty finding work. As we all know, it is easier to find a job when you have a job, but not so when you are out of work. This is an opportunity to make a positive contribution to breaking the unemployment cycle, to help people create a useful employment record. Even if they change jobs or decide on different careers, they can carry a successful employment record with them.

I know that the savings from welfare and unemployment payments, combined with the payroll taxes paid by these persons, is a sizeable contribution to offset the cost of tax credits.

In addition, the tax credit to the corporation is subject to federal taxes at our Corporate tax rate. At Marriott, the bottom line credit is actually closer to 27 percent instead of the 50 percent stated in the program. Marriott who is proported to be among the largest participants of the program has realized a total of approximately $12 million dollars in bottom line credits over the last five years. During that time we have doubled in size and opened at least 50 new hotels, creating an average of 500 new jobs each, in addition to our growth in restaurants, In-Flite catering and numerous other divisions.

Chairman Rangel. Our last panel is Project HIRE, Ruth Harris, executive director; David Blanch, secretary-treasurer, and Goldie Umstead from the American Cleaning Service; and from Data Systems and Services, Daniel Simpson.

We will start with Ruth Harris, the director of Project HIRE.

STATEMENT OF RUTH HARRIS, EXECUTIVE DIRECTOR, PROJECT HIRE, INC.

Ms. Harris. I want to say when I came into this room the day before yesterday—it seems like it has been that long—I have remained in this room with bated breath because I was informed that you have not seen anything until you have seen Charlie Rangel in action, and I believe that totally.

Chairman Rangel. Thank you, Ms. Harris.

Ms. Harris. I have seen you in action, out that door, up those stairs, or whatever. [Laughter.]

In any case, I am here to represent the low man on the totem pole. We were No. 7 panel, the ex-offender. Nobody really gives a continental about the ex-offender. But I want to tell you, it is a wide spectrum of ex-offenders. Ninety-five percent of the people we serve are black, 27 years old, on an average, no high school diploma, with a reading level of about fourth grade, and no viable job history. But the other 5 percent are lawyers, doctors, dentists, preachers, teachers, and what have you. So it does cover a wide spectrum.

The people that we serve, for the most part, have never held a job anywhere, and in my 15 years of experience with programs, such as the old Manpower, and CETA, TJTC is the only one I have not heard the employers complain about the paperwork, all the redtape. They do not mind this program; it is simplified for them; it helps them; it is a carrot on a stick for us to sell the ex-offender to the employer.

TJTC is a gift to the employer from Uncle Sam for hiring the disadvantaged. I think it would be an advantage for this committee to pass a multiyear program in order that you can see how it really looks statistically and what it costs. It is certainly cheaper than incarceration. It costs anywhere from $25,000 to $30,000 a year to keep an inmate incarcerated. Now, with the guards and everybody unionized, it is always going up every year.

Most of the previous programs did not carry over once the CETA program ended. You got your 18 months, and then you were out on the street again.

In this particular program, the targeted jobs and tax credit, the employer sees where it is helping him; the ex-offender sees where it is helping him; if he works well, he has a permanent job. Contrary to public opinion, most ex-offenders do not want to be criminals. They have no other alternatives to make a living, and by providing an incentive for him to have a job, hopefully, we will avert crime. I am not saying we will avert it all, because criminals will be with us forever. It is getting late. I guess I will cease there.

[The prepared statement follows:]

STATEMENT OF RUTH HARRIS, EXECUTIVE DIRECTOR, PROJECT HIRE, INC.

EVALUATION ISSUES REGARDING THE TJTC PROGRAM

INTRODUCTION

The central question addressed, in the remarks that follow, is how do we evaluate the Targeted Jobs Tax Credit [TJTC] program? As will be demonstrated, a program without theory is one that is destined for problems, but the TJTC program has substantial theory behind its basic purpose and this too will be examined. As a matter of program and social policy logic, if the theory is good, and there is no hard data available to show the program is rife with corruption, bad management, and pervasive abuse, with no possible positive impact on American society, then we must conclude that the program should not only be continued but should be expanded in the tax credits permitted by the program. Finally, there is only one fair way to evaluate the TJTC program and the issues surrounding this preferred level of methodological rigor will be discussed in detail.

THE IMPORTANCE OF EVALUATION RESEARCH

The only way testimony itself can logically be considered as relevant to evaluation, is if all of the 27,000 persons who were hired under the TJTC program in 1984 gave testimony, plus all of their employers, plus the appropriate impact agencies in the states where these persons live. At that point, there is still no evaluation, as this testimony would have to be standardized, at least in terms of the same questions asked and answered, such that an analysis could be made of all such responses. Obviously, this is not a feasible way to proceed.

How then do elected officials evaluate the merits of the testimony they hear? Do they keep a "score card" and record on it those that FAVOR the program, those that do not care one way or another, and those that DISFAVOR the program? Do they then partition these "opinions" in terms of factors relevant to the testimony such as: (1) educational attainment—in general we like give more merit to a Ph.D. than to someone who is a subprofessional, (2) field experience—in general we like to believe that those who have direct experience with the program probably know more about it than those who have simply "read" about it, (3) expert testimony—in general we value the opinions of social science experts, the urban planners, the economists, the sociologists, and the social scientists in general who presumably have training that is above the norm, and (4) the "political clout" factor—how many potential constituents does the person have influence over?

Do you simply listen to who testifies, determine their position on the TJTC program, assign some rank in terms of the above factors, and then after the hearings are over with, tally up the results and tell the public whether or not we will continue with the legislation or scrap it? We know holding hearings in local sites, not just in the Capitol, generates more testimony and therefore a way to add more entries to the "score card" approach.

There are many factors that might be included in the "score card" approach to making social policy on the basis of persons giving testimony: their prestige, their political rank, their role in the media, etc, and perhaps these attributions are appropriately discounted on the basis of those who hear the testimony. All of this considered, the question reamins how do we evaluate the TJTC program, because this committee must make a decision and a recommendation.

Clearly, the only way to evaluate the TJTC program and any other program related to social policy for that matter, is in terms of the best social science that can be applied. At a minimum this determining if there is theoretical merit to the program. Secondly, there is the matter of fairness and equity, as the program should be continued unless there is a substantial body of research that suggests a contrary recommendation.

WHAT IS THEORY AND WHAT DOES IT MEAN TO THE TJTC PROGRAM?

Simply stated, a theory is a logical plan for what to expect from a program. It should "make sense" and have standards by which it can be operated, and its benefits should outweigh its costs unless there is overriding public interest in continuing the program because of its own intrinsic merits.

The theoretical basis of a program also tells us what things to look for in determining if it "works".

In social policy it is not always the case that legislation which gives birth to a program always has a single explicit theory behind it. American society is a society by law, where the laws are made as the public and its representatives see fit. How a program "gets started" is usually a response to perceived need. How a program gets evaluated is extremely relevant to theory.

The worst thing that can be done, particularly in regard to the TJTC program which we will see definitely has theoretical issues supporting its continuity, is to conduct what is called an atheoretical evaluation. An atheoretical evaluation is simply a piece of evaluation research conducted on a program such as TJTC where the research is not based on theory. Atheoretical evaluation research tends to guarantee that a program is assessed without regard to the existing literature, the previous research, and theories regarding how things work in our society. An atheoretical evaluation, then, opens the way for unfairness and inequity in how we appraise the merits of any given program.

THEORY AND THE TJTC PROGRAM

Summarized here are a few propositions which argue that the TJTC program can have a substantial and beneficial impact. These are concepts that are capable of being operationalized in research. Further, from a cost-benefit perspective they lay the foundation for the direct computation of benefits.

(1) The TJTC Program reduces the pattern of economic dependency such as welfare, Public Assistance, etc. The TJTC program is explicit about the standards by which it is operated and these standards specify a "targeted population" which is traditionally, itself, significantly more likely to have to rely on government support. To a large extent the TJTC program is one way that the underclass, and persons that might otherwise be relegated to the surplus population, can be brought into the occupational opportunity structure.

With modest incentives for hiring these types of persons, an employer who does make use of the program is therefore also doing something for his country. We can expect that those who are hired under the program have a history of economic dependency. Taking them off the welfare roles therefore averts costs for the government.

(2) Exoffenders are a significantly large group who fall within the "targeted group" for the TJTC program. There is a large and growing literature that shows that there is an inverse relationship between employment and crime (Glaser and Ric, 1959; Glaser, 1964; Fleisher, 1966; Holahan, 1970; Miller, 1972; Mills and Walter, 1974; Killinger and Archer, 1974; Easton, et al, 1974; Votey and Phillips, 1974; Whitney, 1974; Benton, 1975; Sedlak, 1975; Bernardo, 1977; Bowker, 1977; Wadsworth, 1977; Greenberg, 1978; Knox, 1978; Cook, et al, 1978; Mills and Walter, 1979; Rulo and Zemel, 1979; and PirogGood, 1979). These research findings have only been further reinforced with greater methodological rigor in the early 1980's.

What does this enormous body of research mean? It means that providing jobs to exoffenders will keep them out of prison. A job placement for exoffenders will significantly differentiate their outcomes in terms of recidivism.

In light of this, to the extent that the TJTC program targets those who are exoffenders, or who are on the road to becoming offenders in the absence of social policy directed at them, the TJTC program will obviously avert criminal justice costs. In an already overcrowded prison system, a program like TJTC is something that merits national use and expansion, because it saves the government money that would otherwise be spent on arrest, adjudication, and imprisonment, as well as the costs of crime itself to the public.

(3) The group targeted for employment by the TJTC program is one that has historically been off the rolls of the income tax payers. Taking persons off the welfare rolls, by encouraging employers to hire them has one substantial effect across the board for all persons hired under the TJTC program: it increases the income taxes paid to state and federal government as well as payments into the Unemployment Insurance and Social Security divisions rather than continuing to drain them.

Let us be reminded that the persons targeted and hired under the TJTC program are those for whom there are very limited options in supporting themselves. This will mean either a life of crime or involvement in the underground or subterranean economy. The underground or subterranean economy, also called "hustling" or the "black market", constitutes about $700 billion dollars which goes untaxed each year (Bawly, 1981; Tuccille, 1982). Taking these persons out of the criminal lifestyle or the "black market" and integrating them into mainstream employment means that we are adding new sources of revenue to the tax base. As will be shown in cost-benefit terms, this alone is probably sufficient to "pay for the program".

The above three propositions represent direct and measurable effects of the TJTC program.

There are other possible positive consequences as well. One of these is the positive financial effect it has on businesses. In an economy where small businesses face incredible problems in surviving the first year of operation, the TJTC program helps these and other "struggling enterprises" to continue to be a source of employment, and it is likely that a large proportion of the TJTC placements have occurred in the urban areas of the United States and that the persons hired under the TJTC program represent innercity residents. How valuable this may be is hard to measure, but it merits consideration.

The fact that the TJTC program facilitates the job placement of persons who are otherwise likely to be unemployed, also has an effect on human capital and on contributions to the gross national product. Persons eligible for placement under the TJTC program might not get training for jobs in the absence of this program, therefore it has an effect on providing job skills for those involved, and if we assume that 27,000 such persons were thus affected in 1984, then human capital improvement is a large factor that must be considered. This is apparent if we were to estimate the costs of providing OJT training for a similar sized group who have traditionally been excluded from employment opportunities. The contributions to the gross national product arise from the surplus value of labor itself. Simply stated, putting people to work in industry helps the national economy and contributes to productivity itself.

DECISION LOGIC AND THE TJTC PROGRAM

If any of the theoretical bases cited above are justified, and we feel they certainly are, then a compelling logical conclusion is necessarily that the program should not only be continued, but expanded in its parameters. Unless there is overwhelming research evidence that the TJTC program is a wasted effort, one fraught with abuse and mismanagement, and thoroughly not fulfilling its original purpose, then the theoretical basis of the program requires us to not only continue the program but to expand its scope for impact.

As an aside, we suspect that a content analysis of all of the testimony given to this hearing will reinforce the accepted notion that the TJTC program has these kinds of theoretical merits.

The bottom line, then, is what evaluation research has been done conducted on the TJTC program? What social scientists and scholars have had to say about the program certainly bears attention. Yet it is also true that this is probably premature as not enough time has elapsed to give the program a chance to prove itself. Certainly, however, if the program were a miserable failure we would have heard about it.

We suggest, then, that unless there is overwhelming evidence that the TJTC program is ineffective that it then should not simply be continued, but it should be expanded in the levels of tax credits available. Secondly, if there is to be a basis for a just and fair assessment of the TJTC program, then these hearings need to know what to plan for in terms of providing an unbiased evaluation of the program.

A NOTE ON GOVERNMENT SPONSORED EVALUATION RESEARCH

For the record we should point out that evaluation research on government programs need not be just another way to waste research money. Certainly, those familiar with the process of doing research and development business with the federal government, know about wired research contracts. Sometimes these evaluations are not fair and yet there are procedures that can be employed to insure not just fairness but also that government funds spent on this activity actually result in useful knowledge products.

One way to insure that evaluation research contracts do result in wasted research money is to let the researcher evaluate the program in an atheoretical manner—that is, without a theory.

We suggest, briefly, some things that should be considered if a fair evaluation is to be conducted of the TJTC program:

(1) Authorize a level of expenditure for research which is adequate to conduct a national evaluation.

(2) Set up an advisory board consisting of citizens who are affected by the TJTC program; they might very well come from those who testify at this hearing; but also insure that there is adequate public information about the evaluation research that is to be conducted.

(3) Insure that our universities have been properly informed about the research contract opportunity, because it is too often the case that the procurement process does not systematically reach out to this group (i.e., notifying the professional associations). The end result is that the research award is often made to non-doctorate type persons who have consulting firms whose primary merit is that they are in close proximity to the capitol.

(4) Have the "TJTC Citizen Review Board" develop the "RFP" and work with the government to evaluate all who wish to respond to it.

(5) Don't put all your eggs in one basket: try to build in some reliability factor. This might be done by granting three research awards, not just one. If they all point out the same results, then we have a better indication that the program is working than if just one such evaluation research contract was awarded.

A PROPOSED COST-BENEFIT MODEL

Cost benefit analysis, or loosely speaking, the "bang for the buck" approach to evaluation, gives one way to start in assessing the merits of the TJTC program. We suggest that if evaluation research is intended in the future, then this committee might want to provide a fair method of increasing the nature of the incentive to employers for the use of the TJTC program. One way is that of moving away from the arbitrary limits of the tax credit available and making this "adjustable" by local conditions where the employer and the employee come from. In the study of urban incentive tax credits by Meyers and Musial (1974) it was proposed that the tax credits be adjusted locally by factors such as the crime rate, the local unemployment rate, and poverty indicators. Perhaps other factors, such as those that emerge from the testimony given here, should also be included. This would provide a justifiable basis for an increase in the ceiling limits for the actual amount of the tax credits available under the program, thus, making it a program that is truly adaptable to local conditions.

Let us consider a very crude benefit-cost analysis. Our purpose here is only to illustrate the obvious potential merit to the TJTC program through this technique.

Figure 1 depicts a model with the three variables of impact discussed earlier: new tax revenues from the program participants, averted costs from welfare and government dependence, and averted costs from the prevented recidivism.

Figure 1, then, shows how to calculate, in "rough" terms, the benefit structure for these three impact variables. Let us introduce some very conservative assumptions just for the sake of examining the results.

FIGURE 1

One method for the Calculation of the Economic Benefits of the TJTC Program

TJTC benefits = Total New Income Taxes + Savings from averted welfare costs + Savings from averted recidivism costs.

TJTC benefits = (N * TSALARY * TTR) + (NI * AWC) + (N2 * (APC + AAC + ACC)).

LEGEND OF SYMBOLS

N = Total number of TJTC placements that year

TSALARY = Total salary income (gross) during the year for each progrm participant

TTR = Total (aggregate) tax rate (state, federal, Social security, etc) for each state.

N1 = Number of program participants who were previously economically dependent on the government (i.e., welfare, public assistance, etc) or who would be so in the absence of the TJTC program.

AWC = Average welfare cost, in each state, with adjustments for the number of dependents.

N2 = Number of program participants who are exoffenders and who do not recidivate, thuse reflecting the difference between predicted (the norm) and actual outcome in those who have a prior history of criminality or who are "at risk" of becoming law offenders.

APC = Average police cost, per state, for arrest activity.

AAC = Average adjudication cost, per state, for bringing a person to trial

ACC = Average correctional cost, per state, to imprison the offender.

By "conservative" assumption, we mean that the error will most obviously be in the direction of vastly underestimating the actual or real benefit values.

Assume we are dealing only with Illinois. That we can then approximate the Illinois sample of TJTC program participants by dividing 27,000 by 50 which gives us 540 program participants. Let us also assume that all program participants are paid only the minimum wage and there is no wage progression effect over the course of the six months of their employment. Let us also assume, erroneously low, that the total state taxes, and federal taxes, and social security deductions amount to only ten percent (10%) of the gross income.

This would mean, using the first term of the benefit equation in Figure 1, that Illinois portion of the TJTC program or an "average" states contribution, would be $173,664.00. Nationwide, that would mean $8,683,200 in new revenues for the government—remember these are tax payments that we would not otherwise have.

Obviously, without even calculating the second and third terms of the benefit equation, we are dealing with a substantial new source of revenue for the government.

The second and third terms of the benefit equation would likely generate very significant figures as well.

The point here is already made: the TJTC program clearly generates benefits.

A problem arises when we try to assess the costs of the TJTC program. Basically, like the tax amnesty programs, the TJTC program is a "win/win" situation. It benefits all concerned. So do we treat the actual "tax break" as a cost? With so many undocumented workers, one thing the TJTC program does without a doubt is insure that these workers are documented: they are not paid "under the table". The nature of the paperwork tends to prevent this.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The foregoing remarks have been intended to put this matter of evaluating the TJTC program into perspective. Hopefully, this has meant a more scientific perspective. We have suggested in no uncertain terms that hearings alone do not constitute an evaluation of the program. We have discussed the matter of evaluation research in regard to the TJTC program to highlight the importance of "hard data" by more than one researcher as the preferred way to determine "if it works".

We have also discussed the theoretical merits of the TJTC program and we have anticipated that other testimony will bear this out. In a nutshell, this means that the program is well conceived and has certain "effects" or "outcomes" that can be readily measured. Three such direct effects have been specified here: (1) the new additions to the tax rolls, (2) the averted costs of welfare and government dependency, and (3) the averted costs borne by the criminal justice system.

It has been argued that unless testimony here by researchers can show, beyond a shadow of a doubt, that the program does not work, then there is every reason why the program should be expanded by increasing the amount of the tax credit. We have also indicated that instead of an arbitrary tax credit ceiling it is possible to adjust this amount by the local conditions of each jurisdiction.

Suggestions for conducting evaluation research on the TJTC program were given to insure that the government gets the best research product possible. Finally, a cost-benefit model was briefly outlined, using only three variables. The first variable, that of new tax contributions from TJTC program participants, shows that nationwide in the year 1984 this probably resulted in more than ten million dollars in new tax revenues.

We urge you to increase the amount of the tax credit available under the TJTC program and continue the program. We also urge that if you are serious about evaluation its merit for social policy that you follow the recommendations cited earlier for how such an evaluation should be conducted.

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Chairman RANGEL. Well, thank you for your very stirring testimony. It is true that the ex-offender is probably close to the most unpopular of the lot, but——

Ms. HARRIS. The closest competitor is the ex-addict.

Chairman RANGEL. Yes. It does take a lot of dollars and cents to try to get these people into the mainstream, rather than to keep them locked out of job opportunities, where the only skills they have been able to develop are for breaking the law.

Where is your program?

Ms. HARRIS. In Chicago.

Chairman RANGEL. How many people go through your program a year?

Ms. HARRIS. 800. We get about 500 of the jobs.

Chairman RANGEL. Who are you funded by?

Ms. HARRIS. Beg pardon?

Chairman RANGEL. How are you funded?

Ms. HARRIS. Title 20, DFI, which means the Government gives me three-fourths, and I must raise the other, or I do not get any of it. As a result, I am really only 26 years old. I just look older. [Laughter.]

Chairman RANGEL. Let us know something about your program and we will see what we can do with your congressional delegation.

Who is the Congressman from that district?

Ms. HARRIS. Ms. Collins.

Chairman RANGEL. Very good. We will work with her to see what help we can give you.

Ms. HARRIS. Thank you very much.

Chairman RANGEL. Let us continue.

David Blanch and Goldie Umstead. I guess Goldie is not here.

STATEMENT OF DAVID BLANCH, SECRETARY-TREASURER AND PERSONNEL MANAGER, AMERICAN CLEANING SERVICES, INC., ACCOMPANIED BY SEAN GAITHER

Mr. BLANCH. No. I brought Sean Gaither with me instead of Goldie. He was not able to make it today.

Chairman RANGEL. Thank you, Mr. Blanch.

Mr. BLANCH. My name is David Blanch and I am with the American Cleaning Services, right there in Annapolis, MD; and we are a fairly large janitorial service company, and we have work in Virginia, the District of Columbia, Maryland, and Delaware. We have about 250 people presently employed. We are still a very small corporation. We have been running about a 30-percent increase in sales every year, so we are successful, and frankly, we are profitable.

I first hired my first handicapped individual back in July 1983. Frankly, that lady is still with us today. I wanted to bring her with me, but she was not able to come. And I must admit my motivation was strictly mercenary. There was a job tax credit. I was looking for a way to reduce our tax burden.

We now employ 50 handicapped people. We have been recognized by our State of Maryland. We have been awarded the Vocational Rehabilitation Award, and I believe we are the only private sector employer to receive this award.

Frankly, today, it is interesting. I prefer the handicapped, prefer to hire handicapped people, with or without the job tax credit, because they are more dependable than our other people that we have working for us. We have less turnover, and I can count on them being there every day.

When I first got on the bandwagon as far as hiring the handicapped, I had a lot of resentment from our supervisors. Frankly, our supervisors are 20-, 22-year-old young people. Anybody under 30 is a youngster to me. And they were resentful. They did not want to work—they did not want to spend the extra time working with a handicapped person.

Frankly, I had to twist some arms, and break some legs, and things like that. Now, they call and ask me if we have anybody from this agency, or the handicapped agency, because they are good people; I can count on them.

Within the last 2 or 3 months, we have hired our first deaf people; and you have to hold—the supervisor has to really hold hands to get them started, to work with them a little bit more closely. We obviously were working detail units, mainly when the stores were closed, and we worried about fire alarms, and things like that, but the supervisor has to be a little more attuned.

I may add that all of our employees now, every one of them, are paying Social Security, and, of course, we are withholding Federal and State taxes from them. Our company, on all our people, obviously is paying the Social Security, and the FUDA taxes.

I was just thinking about Sean a few minutes ago, and I am willing to wage that his taxes that he paid this year are greater than the job tax credit that we got for Sean. So I think in this case it is very true. Our people are now taxpayers—is the point I want to make.

I also feel that the growth of our company—as I said before, we are growing at about 30 percent a year—has been due to this tax credit. First of all, we keep our accounts because our people show up every day.

On top of that, again, we are a small company, and without this tax credit, we would have had to spend about $12,000 last year in Federal income taxes, and basically we alleviated burden. There were small taxes that we still did have to pay. And we have frankly been able to use this and buy new equipment, advertise to hire new people, and I do not feel that we would have grown at the rate we have if it had not been for this targeted credit.

I am hoping that this committee will continue to reendorse or pass this tax-targeted job tax credit, because I believe, frankly, we people in the private sector—it takes a while to get the word to us—and I think it is just beginning to flow now to certain small employers of our size and volume, and I think it has got to continue, and I think that in that case we can get it to other people.

I would—as I mentioned, I brought Sean Gaither and I would like to ask Sean just a couple of questions.

Chairman RANGEL. Let us hear from Sean.

Mr. BLANCH. Sean, how long have you worked for us?

Mr. GAITHER. August.

Mr. BLANCH. August of what, 1984?

Mr. GAITHER. Yes.

Mr. BLANCH. When we hired you, Sean, how many hours did we originally hire you for, a week?

Mr. GAITHER. Fifteen.

Mr. BLANCH. How many hours are you working now?

Mr. GAITHER. Forty.

Mr. BLANCH. So you have some overtime now?

Mr. GAITHER. Yes.

Mr. BLANCH. How many raises have you received in the last—since August?

Mr. GAITHER. Two.

Mr. BLANCH. I just may add, these raises, we do not have a policy of giving a raise after 30 days, or after 60 days. Our policy—it may be violating Government regulations, I do not think so, though—our policy is when the supervisors say that I have got a good person working for me, dependable: and then we give the pay adjustment; and since August, he has worked for two different supervisors, and frankly, one of the supervisors was very negative at one time about hiring handicapped people. Now all but one person working for her is handicapped. So I think we have got a real success story, and I would like to keep the program going.

Thank you, sir.

Chairman RANGEL. I will like to call on Daniel Simpson.

STATEMENT OF DANIEL SIMPSON, ASSOCIATE PROGRAMMER, ADVANCED SYSTEMS DEVELOPMENT, DATA SYSTEMS AND SERVICES, GENERAL INSTRUMENT CORP.

Mr. SIMPSON. I thank you for the opportunity of being here today to testify before you.

I would like to start, if I may, with just a little bit of background information.

I started looking for a job in earnest in 1978, preferably in the area of college teaching, in the field of music. And I thought I had a pretty good chance at finding one. I had put in a good amount of time and money in pursuing education. I had graduated phi beta kappa and summa cum laude from a fine liberal arts school in Pennsylvania, and graduated with honors from a Matter of Music Program, and then spent a year abroad doing independent study of music in Paris.

But when I came back and began looking for a job, I was in for a shock. About 6 months and 20 rejection notices after I started, I settled for sharing a job as a codirector of the Music Program for a large suburban church, and I shared that job with my wife.

I managed to work in this capacity for about 4 years, but as time went on, I began to realize that because I could not sight read a lot of ephemeral music, that is so integral a part of this kind of work, I was becoming more and more dependent upon my wife to help me carry out my daily work, and this indeed put a strain on our relationship, so for that reason, primarily, and for the need to be able to have some sense of job security, and build a career, I decided to make the change to computer programming as a career.

But I needed some help in this area, and so I sought some assistance in making the career change, and went to the Department of Vocational Rehabilitation, which gave me just an immense amount of help.

I was enrolled in 9 months of extensive training in computer programming at the Maryland Rehabilitation Center in Baltimore. But to be honest with you, I was a little worried because I had spent 7 years in education, and in a sense had ended in a dead end, so when I entered this program, I asked what kind of assurances would there be—if not a guaranteed job, because I certainly was not looking for that, but some sort of guarantee of support when I got out of this program. I was indeed pleased to hear about TJTC, because I felt there was a real strong commitment to my efforts being offered by the Government of this country.

I spent a portion of my training as an intern for General Instrument Corp., where I am now employed. I am the first blind person that General Instrument has ever employed as a programmer, and to the best of my knowledge, I am the only blind person that they employ in any capacity right now.

But I think that under these circumstances, since my employer did not know what a blind person might be capable of doing as a programmer, my employer took a considerable risk in hiring me. I knew what I could do, but I knew that I had to have a chance to be on the job in order to convince him that I could really do what I said I could.

I am certain from talking to my boss that the incentive provided by this Targeted Jobs Tax Credit Program made that risk a great deal easier for my employer to take. This is especially true when you consider that the company at the outset had to plunk down $5,000 to help pay for adaptive devices, particularly a talking computer terminal, for me.

There is a great deal of joy that comes to me in knowing that the Government of the United States has joined me in a cooperative venture. It expected me to work hard to gain a marketable skill, such as programming, but once I had gained that skill, it offered an incentive to potential employers so that I might have the chance to show them what I could do.

As a result of this cooperative venture, I now have a job in which I feel extremely independent, a salary which enables me to be a contributing member of society and a joy of knowing that I have been given an equal opportunity to shape my own career and destiny.

I am here today because that has made an invaluable difference in my life, because I want you to preserve that opportunity for others who are waiting in the wings. Thank you.

[Applause].

Chairman Rangel. We are moved by your testimony, Mr. Simpson. All of us feel sort of proud that we can make any small contribution to allow the potential of all of our citizens to be reached.

I only regret that this type of testimony falls on rather deaf ears as relates to this particular administration. The fact that all of you manage to pull together and make the best out of a very bad situation, and we can hear these types of success stories as to what can be done, even with the limited advantages of the targeted jobs credit, allows all of us to continue on in the tradition of our great country.

While the record cannot possibly reflect the true sense of the testimony we have received, I, as chairman of the committee, along with the members of this subcommittee, and the Congress as a whole, thank you for taking time out to encourage us to keep up the fight. I am confident that we will be able to get this extended.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF DANIEL SIMPSON, ADVANCED SYSTEMS DEVELOPMENT DATA SYSTEMS AND SERVICES GROUP, GENERAL INSTRUMENT CORP.

In 1978, when I started looking in earnest for a job teaching music at the college level, I thought I had a pretty good chance of finding one. I had graduated Summa cum Laude and Phi Beta Kappa with a Bachelor of Arts degree from Muhlenberg College in Allentown, Pennsylvania; I had earned a Master of Music degree from Westminster Choir College in Princeton, New Jersey, and I had spent a year doing independent study in Paris. Approximately six months and twenty rejection notices after my job search began I settled for sharing a job with my wife as the co-director of the music program for a large suburban church.

I managed to work in this capacity for four years; however, as time went on I began to realize how indispenable it was to have the ability to sightread all of the ephemeral music that is so integral a part of providing music for the weekly worship services and choir rehearsals. Moreover, I knew that, given my capabilities, my educational background, and the prognosis for finding alternatives for employment in music, I was under-employed and dependent and would continue to be so as long as I did not make a career change. Based on this assessment of my situation, I determined to make such a change. With a great deal of support from the Department of Vocational Rehabilitation, I enrolled in nine months of extensive training in computer programming at the Maryland Rehabilitation Center in Baltimore.

As far as I know, I am the first blind programmer the General Instrument Corporation has ever hired in Maryland. Surely, not knowing what a blind person is capable of doing must have made hiring me considerably more risky than hiring a sighted programmer. I have no doubt that the incentives provided by the Targeted Jobs Tax Credit make that risk a lot easier to take.

There is indeed a great joy in knowing that the government of the United States has joined me in a co-operative venture; it expected me to work hard in order to gain a marketable skill such as programming, but once I had gained that skill, it offered an incentive to potential employers as a means of enticing them to give me an opportunity to prove that I could be a reliable and productive employee. As a result of this cooperative venture, I now have a job in which I feel extremely independent, a salary which better enables me to be a contributing member of society, and the joy of knowing that I have been given an equal opportunity to succeed. I am here today because that has made an invaluable difference in my life and because I want you to preserve that opportunity for those who are waiting in the wings.

Chairman RANGEL. The committee will adjourn subject to the call of the Chair.

[Whereupon, at 3:10 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT BY THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

The AFL-CIO appreciates this opportunity to reiterate our opposition to the Targeted Jobs Tax Credit [TJTC]. We continue to recommend that the Congress allow the TJTC to expire as schedule on December 31, 1985. We base this opposition on the fact that there continues to be no evidence that the program has generated any new jobs or been of benefit to the target groups. In fact, indications are that the TJTC has failed at its primary mission and has benefited a handful of employers at the expense of the Treasury and American workers.

As we have indicated to Congress throughout the history of this program we have a number of concerns about the TJTC. Principally we are concerned with the windfall tax gain provided to employers who would have hired a targeted employee without the credit and yet obtains the tax savings, the displacment of nontargeted but no less needy workers and the loss of revenue to the Treasury of $500 million a year in a time of soaring deficits and savage budget cuts in domestic programs.

The AFL-CIO is not alone in our objections. Studies by the Congressional Budget Office and the General Accounting Office support many of our concerns. Earlier this year the Congressional Research Service [CRS] studied the TJTC and related experiences in other countries and make some important observations. CRS found that "Despite enactment of amendments to address the concern that TJTC's original version mainly provided subsidies to employers who would have hired TJTC-eligibles even without the credit, questions remain about the extent of windfall gains under the current version of the program." In addition, CRS reported evidence of the displacement of workers:" . . . indications are that employment of young workers has increased among TJTC-user firms but that total employment has not expanded; thus, the shift to younger workers has occured at the expense of adult workers." Finally, CRS stated that more than 90 percent of the largest TJTC-eligible group obtained employment without the use of the credit. We believe that such analysis support our contention that the program has not worked and is in fact counter-productive.

Mr. Chairman, what you and your colleagues have before you is a program designed with the best of intentions and the most lofty of goals which, despite the Congress' best efforts, has failed. Rather than beginning an individual on the road to long-term employment combined with useful training the TJTC has subsidized employers, provided short-term deadend jobs at the expense of other workers and other taxpayers. There are proposals before this Congress which attempt to tie the concepts of education and employment and which have a proven record of success. H.R. 671, the Youth Incentive Employment Act introduced by Cong. Hawkins, is one of those proposal; the TJTC is not.

The AFL-CIO has long been committeed to full employment for all who are able and willing to work and to the proper training of workers with special needs. The continuing legacy of the Reagan recession—8.5 million Americans officially unemployed and 7 million either to discouraged to seek jobs or working on only part-time jobs—combined with the staggering trade deficit and the changing nature of the U.S. economy reinforce the need for this commitment. At the February meeting, the AFL-CIO Executive Council outlined a comprehensive program designed to deal with this nation's job deficit.

The program, a copy of which is attached to this statement, includes:

A permanent federal supplemental unemployment insurance program including health care, mortgage and rental relief in order to protect long-term unemployed and their families;

Plant closing legislation to cushion the devastating effects on a community of the loss of its livelihood;

Retention and expansion of job-training programs, including the Job Corps, for youths as well as both employed and unemployed workers;

Strengthening and enforcement of anti-discrimination and wage and hour laws;

Expansion of child-care facilities;

Rebuilding of this nation's infrastructure;

An effective industrial policy designed to diversify the economic base of the U.S.; and

Reauthorization and expansion of federal housing programs devastated by the Reagan Administration.

In addition, the program emphasises the need to develop coherent federal policies to control the trade and budget deficits, end the farm credit crises, reduce interest rates and block this Administration's dismantling of federal laws, agencies and regulations. Through a combination of all of these policies a more healthy diverse American economy will emerge. It is that economy that will create job opportunities for all Americans including those in the targeted populations of the TJTC. We ask that you work with us to achieve that goal. One step in that process is to recognize the TJTC for what it is—a failed program—and to let it expire at the end of this year.

STATEMENT BY THE AFL-CIO EXECUTIVE COUNCIL ON THE JOB DEFICIT

While the nation's attention is focused on the budget and foreign trade deficits, the deficit in job opportunities poses an equal threat to the nation's future.

President Reagan's election victory last November was not an endorsement of the Administration deficit in fairness, its deficit in compassion, or its deficit in concern for economic development and human needs.

Because of the job deficit, 8.5 million Americans are officially unemployed, and 7 million more are either too discouraged to seek jobs or can find only part-time jobs. Even after more than two years of expansion from the low point of the Reagan recession, unemployment remains far higher than in previous expansions and higher even than at the depth of several postwar recessions.

Faster economic growth, providing more and better jobs, is essential. Action in both the private and public sectors is urgently needed, and the federal government has a special responsibility to take the leading role.

AFL-CIO PROGRAM

The AFL-CIO calls for a comprehensive set of programs to deal with the nation's economic and social needs. Some of these programs have no cost impact on the federal budget. Some will actually save money. Some had added costs that we firmly believe would bring substantial savings over the years. Programs that invest in people and help them to realize their full human potential cannot help but lower long-term welfare and other public costs. Specifically, we call for programs:

To reduce the federal budget deficit, Congress must enact fiscal policies that accomplish the nation's twin responsibilities of providing for the common defense and promoting the general welfare. AFL-CIO recommendations are spelled out in detail in our statement on The Budget Deficit.

To reduce the job deficit, the variety of action we propose are spelled out in our statement on The Trade Deficit.

To reduce the job deficit, the central focus of the nation's fiscal monetary, trade, employment and training policies must aim at reducing the present unacceptable unemployment levels.

To protect jobless workers and their families, Congress should enact a permanent unemployment insurance program of federal supplemental benefits providing at least 65 weeks of benefits for long-term unemployed workers. Pending action on such a program, the Federal Supplemental Compensation program which expires this March should be extended. In addition, Congress should enact special legislation to provide unemployed workers with health care protection and mortgage and rental relief.

To meet the special problems of workers and communities affected by plant closures, Congress should enact plant closing legislation. Advance notice will help workers plan for alternative means of dealing with the threat, and appropriate compensation would cushion the impact.

To prepare people for jobs, Congress and the Administration should: retain national job-training programs; provide training opportunities for displaced workers and young people in the existing Job Corps centers and in a new youth employment program; develop human resources and raise productivity through more and better education, training, retraining and upward-mobility programs for all workers, both employed and unemployed.

To improve job opportunities, anti-discrimination protections should be strengthened and enforced to help women, black, Hispanic and other workers. Child-care opportunities for working parents should be expanded. Sanctions against the hiring of undocumented workers should be enacted and enforced. Wage-hour legislation should be improved and strengthened.

To rebuild the nation's crumbling highways, bridges, water and sewage systems and other public facilities, federal, state and local governments must each do their share. The longer restoration is delayed, the higher the costs will be.

To ensure a diversified economic base, Congress must adopt an effective industrial policy with labor and business participation. Only through such a program can the nation's basic industries be revitalized to meet international competition.

To meet the nation's continued housing needs, Congress should reauthorize and expand the program that the Reagan Administration has devastated.

To control health costs, effective cost-containment measures must be taken, as outlined in our statement on Health Care Cost Containment.

To protect consumers, workers, the general public and the environment from unfair and dangerous consequences of unbridled "free-market" business practices, Congress must block the Administration's continuing efforts on behalf of big business to dismantle or weaken federal laws, agencies and regulations. Political appointees and the Office of Management and Budget are undermining basic protective programs ranging from consumer product safety to worker protections under the National Labor Relations Act.

To help farmers in their current financial crisis, special farm credits must be advanced quickly and longer-term programs developed to prevent destruction of the family farm.

To encourage economic growth, the Federal Reserve Board should strive to lower interest rates rather than than single-mindedly targeting the rate of growth of the money supply.

The AFL-CIO pledges its continuing support for policies and programs that will improve the health and diversity of the American economy and assure job opportunities and a rising standard of living for all Americans. We call for action on this wide range of concerns.

BACKGROUND ON THE JOB DEFICIT

Despite the improvement in economic growth and new job creation since the December 1982 low point of the Reagan recession, unemployment is still high. At 7.4

percent, unemployment is worse than at the trough of some postwar recessions and far worse than during previous expansion periods.

Employmnent went up from 99 million in December 1982 to 103 million in December 1983 and then to 106 million in January 1985. But this job growth has come primarily in lower-paid, service-producing industries. Since 1979, there has been a net loss of 1 million jobs in higher-paid, goods-producing industries—with most of that loss in durable-goods manufacturing.

Also, 2.7 million jobs were lost during the Reagan recession from July 1981 to December 1982, so the 7 million increase from December 1982 to December 1984 really produced only a net gain of 4.3 million jobs.

In fact, the goods-producing sector had a net loss of 441,000 jobs from July 1981, the beginning of the Reagan recession, to December 1984. This loss reflected 545,000 jobs lost in manufacturing, mainly in durable goods, and 157,000 jobs lost in mining, while 261,000 jobs were gained in construction. New jobs in service industries give little help to older workers laid off from mining and manufacturing.

Official unemployment went down from a high of 12 million in December 1982 to 9.2 million a year later and to 8.2 million in December 1984. The official unemployment rate dropped from a high of 10.7 percent in November and December 1982 to 8.1 percent in December 1983 and then levelled off at 7.2 percent at the end of 1984. But in January 1985, unemployment went up again by 293,000 to 7.4 percent, with an official total of 8.5 million American workers without jobs

Unemployment is still higher than the 5.8 percent it was in 1979 before the 1980 recession and the 1981-82 recession. Only about one-third of unemployed workers are receiving unemployment compensation. In addition to the 8.5 million workers officially unemployed, another 1.3 million discouraged workers have stopped looking for jobs that don't exist and 5.6 million workers on part-time schedules want full-time jobs and full-time paychecks. Thus, more than 15 million workers are suffering from lost jobs and lost earnings.

Inflation as measured by the Consumer Price Index rose 3.9 percent in 1982, down sharply from the 8.9 percent rate in 1981. In 1983, the CPI was up 3.8 percent. And for the 12 months ending December 1984, the CPI was up another 4 percent.

Poverty is still widespread in America. A 1984 Census Bureau report indicates 35.3 million Americans are living in poverty. This is 15.2 percent of the population—more than one out of every seven Americans. Much of this poverty is related to unemployment and low earnings.

The overvalued dollar has encouraged imports, discouraged exports, destroyed jobs, and pushed the nation's trade deficit to a record $123 billion. The huge U.S. trade deficit reflects a trade disadvantage which means workers and communities suffer lost jobs, lower incomes and industrial shutdowns.

The financing of huge Reagan budget deficits is putting upward pressure on interest rates contributing to the curtailment of jobs. Home mortgage rates are still more than 12 percent. High grade corporate bonds are paying about 12 percent. These and other high interest costs are slowing recovery and raising the dangers of a second Reagan recession and renewed inflation.

UNEMPLOYMENT

The U.S. unemployment rate has not improved since June 1984. The January 1985 unemployment rate of 7.4 percent is very high by historic standards and far above the 4 percent unemployment target of the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act of 1978.

In 1983, there were 23.8 million workers who experienced unemployment during the year. And during 1984, about 22 million workers were unemployed.

Unemployment affects all groups to varying degrees, but remains a particularly serious problem for black and Hispanic workers. In January 1985, unemployment rates were as follows:

	Percent
White adult males	5.5
White adult females	5.9
White teenagers	15.8
Black adult males	12.7
Black adult females	12.8
Black teenagers	38.5
Hispanics (sub-groups not available)	10.6

States with high unemployment in December 1984 were led by West Virginia at 15.6 percent, Alabama 11.7 percent, Mississippi 11 percent, Michigan 10.6 percent, and Louisiana 10.4 percent. Many other states have serious problems which often do not show up in the statewide unemployment averages. For example, the California unemployment rate is 6.9 percent, but Modesto has had unemployment rates over 15 percent, and Salinas, Stockton and Fresno have rates over 11 percent.

Plant closings and major layoffs continue to displace thousands of workers and to hit local communities with high unemployment. A recent Bureau of Labor Statistics study found that 40 percent of the 5.1 million workers permanently displaced from their jobs from 1979 through 1983 were still unemployed as of January 1984. Of the 3.1 million who found jobs, nearly half were earning less than in their former jobs. Two-thirds of those with lower earnings had taken pay cuts of 20 percent or more.

About half of the 5.1 million displaced workers lost their jobs because of a company or plant closing. The older the displaced worker, the less likely the worker was to be re-employed.

The reasons for high local community unemployment vary. Some communities are hit by mass layoffs and plant closings. Others are in areas of long-term structural distress. Adverse effects from trade, inner-city deterioration, farm economy troubles, and remote mining communities are among localized crisis areas. Private charities in these areas are overwhelmed and cannot meet human needs. In these areas of high unemployment, workers and their families are particularly injured by federal budget cutbacks and restrictions in unemployment insurance, welfare, food stamps, health and housing.

The Reagan Administration is trying to kill a $5 million Bureau of Labor Statistics reporting program approved by Congress in the fiscal 1985 budget to identify mass layoffs and plant closings which have drastic unemployment effects in local communities.

UNEMPLOYMENT INSURANCE

In 1984, a monthly average of 8,523,000 workers were counted as unemployed. Of that number, only an average of 2,909,000 received unemployment insurance of any kind. In other words, benefits were received by only about one-third of those the government "officially" counted as jobless and by none of the discouraged workers. In February 1975, during the worst previous recession since World War II, 76 percent of the unemployment were receiving benefits.

Since all unemployment insurance benefits beyond regular benefits established by individual states are "triggered" by the insured unemployment rate, millions of the long-term jobless are going without assistance. While the total unemployment rate is 7.4 percent, the insured unemployment rate is only 2.9 percent—a gap of 4.5 percent. For many states, the gap between total unemployment and insured unemployment is even greater than the national average.

Despite the continuing levels of high unemployment, benefits for the long-term jobless under the current Extended Benefit/Federal Supplemental Compensation (EB/FSC) system are clearly inadequate.

Of the 1,357,000 people out of work for 27 weeks or more in January 1985, only 335,400 were receiving benefits under either EB or FSC. More than 75 percent of the long-term unemployed are without unemployment insurance benefits of any kind. Puerto Rico and Alaska are the only jurisdictions that qualify for up to 13 weeks of additional benefits under the permanent EB program. In the latest month for which there are available statistics, November 1984, there were 19 jurisdictions experiencing unemployment greater than the national rate, and 6 of them had jobless rates over 10 percent. Yet in November, the only long-term unemployed eligible for extended benefits under the trigger were in Puerto Rico. In every case, the gap between the total unemployment rate and insured unemployment rate exceeded 5 percent.

GAP BETWEEN TOTAL AND INSURED UNEMPLOYMENT RATES BY STATE, NOVEMBER 1984

	TUR	IUR	GAP
State:			
Alabama	11.0	3.1	7.9
Alaska	10.5	4.5	6.0
Arkansas	8.6	3.0	5.6
District of Columbia	8.3	2.2	6.1
Illinois	8.1	2.5	5.6
Indiana	7.6	2.1	5.5
Kentucky	8.9	2.5	6.4

GAP BETWEEN TOTAL AND INSURED UNEMPLOYMENT RATES BY STATE, NOVEMBER 1984—Continued

	TUR	IUR	GAP
Louisiana	9.7	3.4	6.3
Michigan	10.7	2.8	7.9
Mississippi	11.0	3.2	6.8
Nevada	8.1	2.5	5.6
New Mexico	7.5	2.5	5.0
Ohio	8.9	2.4	6.5
Oregon	8.9	3.4	5.5
Pennsylvania	8.1	3.5	4.6
Puerto Rico	19.3	6.7	12.6
Tennessee	8.2	2.1	6.1
Washington	8.7	3.6	5.1
West Virginia	15.6	4.2	11.4

Federal Supplemental Compensation is currently being paid to the long-term unemployed in every state. Depending on the state's insured unemployment rate, FSC benefits can provide from 8 to 14 additional weeks of compensation after the expiration of regular and EB benefits. Unless Congress acts to extend the program, FSC will expire on March 31, 1985—subjecting hundreds of thousands more of the long-term unemployed to additional burdens and deprivation.

Other federal actions over the past several years, particularly interest rates being charged to states forced to borrow from the Federal Trust Fund to deal with continuing high unemployment, have caused many jurisdictions to tighten eligibility rules, shorten duration of payments, and reduce the amount of those payments. Not only are fewer of the unemployed receiving benefits; those benefits are shorter in duration and far less adequate to meet basic needs than ever before.

The National Commission on Unemployment Compensation in 1980 recommended that the individual weekly benefit amount should not be less than 50 percent of average earnings based on full-time employment, and that the maximum benefit should be at least two-thirds of the state average weekly wage. In fiscal year 1984, the average weekly benefit amount in the United States was $119, or just 35 percent of the average weekly wage in covered employment. Not a single state has met the commission's recommendation.

The problem of providing benefits for the long-term jobless is frequently accompanied by the now chronic problem of state and federal trust fund indebtedness. These problems become particularly acute during periods of recession and high unemployment.

HEALTH CARE FOR THE UNEMPLOYED

The United States is the only industrialized country besides South Africa that denies access to health care to workers and their families when the workers are unemployed. In most states Medicaid asset tests are so restrictive that jobless workers must sell their cars and most of their personal belongings to qualify. As a result, few unemployed families can resort to Medicaid as an option. Last year, the House passed a bill providing limited health care protection for jobless workers and their families, but the Reagan Administration opposed the bill and the Senate refused to pass it. With 8.5 million workers still jobless, there is continuing need for such a program.

MORTGAGE AND RENTAL RELIEF FOR THE UNEMPLOYED

The latest report on home mortgage delinquencies and foreclosures shows a record high of 5.86 percent of home mortgages on which one or more payments were delinquent. The previous record delinquency rate had been 5.84 percent in the first quarter of 1983, in the wake of the recession. At that time, the number of mortgages in process of foreclosure was 65,320; in the third quarter of 1984, the number in foreclosure was 62,560 and rising.

In May 1983, the House of Representatives passed a mortgage relief payment bill to provide $760 million in emergency loans to unemployed homeowners in danger of losing their homes. Similar legislation failed to pass the Senate. A bill that includes provisions similar to those passed by the House in 1983 is still needed. There are a total of 15 million people either wholly unemployed, too discouraged to continue seeking work, or working part-time due to economic causes. Furthermore, in many two-earner families, the unemployment of one leaves income inadequate to meet mortgage payments.

The needed legislation should also provide for comparable loans to help unemployed renters meet their housing expenses. Many long-term unemployed are former renters who are among the hundreds of thousands of homeless people. The difficulty faced by families of limited income in finding rental housing is demonstrated by the fact that a significant proportion of lower-income renters with federal housing assistance certificates have been unable to find suitable shelter. Numbers of doubled-up families have also increased in recent years, and overnight shelters cannot accommodate all who seek their help.

HOUSING

Housing starts were up 2.4 percent in 1984 to a 1.75 million total. This was an improvement, but it was still far below the rate of housing starts needed to assure adequate affordable housing for low- and middle-income American families. Over the year, quarterly housing starts were on a downward trend which reflected continuing high mortgage interest rates. The effective conventional home mortgage interest rate rose from 12.2 percent in the first quarter of 1984 to 12.9 percent in the second quarter. The Reagan Administration is calling for major cuts in the nation's housing and rental assistance programs.

New home prices and rents have been rising so rapidly that a great majority of families in need of housing simply cannot afford to buy a home. Increasing unmet housing demands are reflected in hundreds of thousands of families on waiting lists for assisted rental housing and in a rise of 2.7 million in the number of families living doubled-up. In the face of such needs, the Reagan Administration proposes a two-year moratorium on budget authority for additional assisted housing.

H.R. 1, the Housing Act of 1985, would authorize funds for additional assisted low-rent public housing for the elderly and handicapped, rural housing, and a new assisted homeownership program for families of up to median income. The number of housing units that would be provided for people of limited income would be small relative to the need but would offer relief to some and hope to others. It would certainly be a great improvement over the moratorium proposed by the Reagan Administration.

INTEREST RATES

The sensitivity of the economy to interest rates was illustrated in 1984. A rise of about 1½ percentage points in various key interest rates in the first half was followed by a marked slowdown in economic growth in the third quarter. The Federal Reserve reversed policy in the fourth quarter to bring about some decline in interest rates. The economy then experienced a pick-up in economic growth except for housing, which needs lower real interest rates to overcome the existing affordability gap. Lower real interest rates are also needed by indebted farmers for their survival.

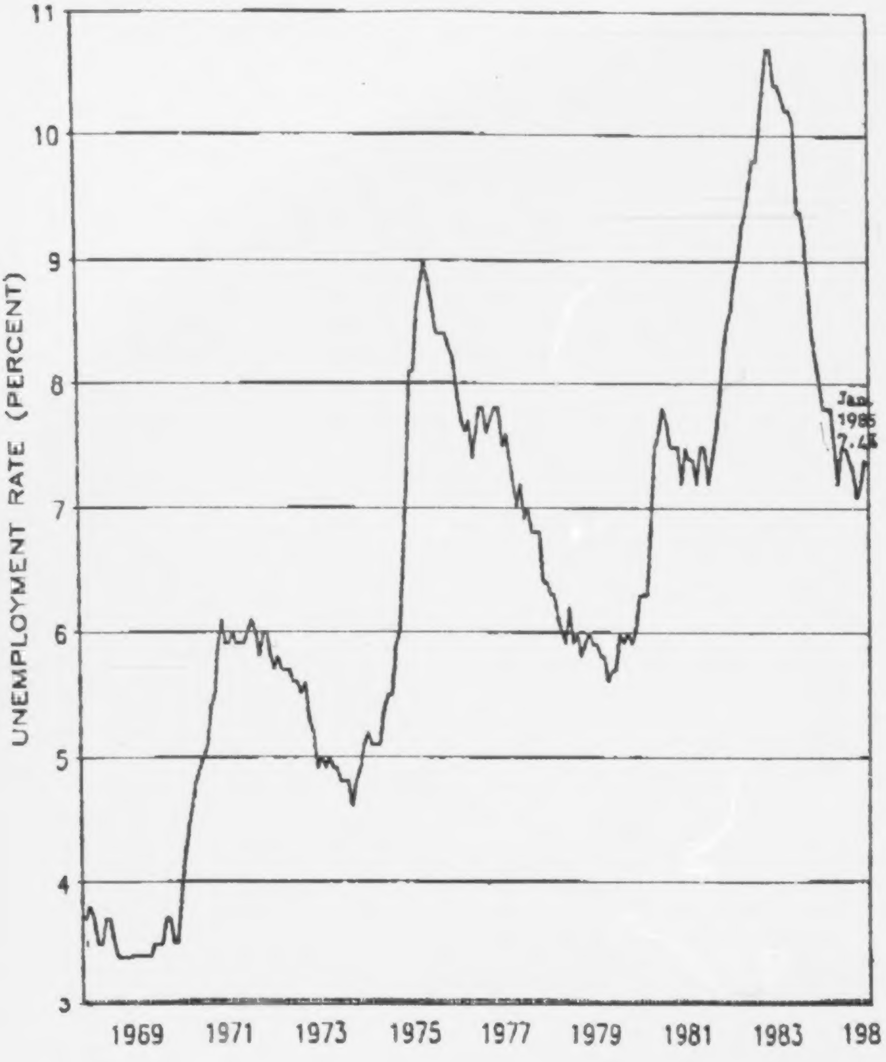
Today, the nominal 10½ percent prime rate is considerably lower than it was in 1980 and the 12.5 percent mortgage interest rate is about the same as it was then. However, those rates are much higher than they were in 1980 in real terms—or in terms of the relation between interest and inflation rates.

In 1980, the prime rate was about one percentage point lower than the inflation rate and the mortgage rate was a fraction of 1 percent lower. In essence, the real rate of interest was about zero, as the rate of inflation offset the interest cost and made it relatively easy for businesses and households to repay debts. Today, the prime rate is about 6½ percentage points above the inflation rate and the mortgage rate about 8½ percentage points higher. These historically high real interest rates make it hard to repay debts and lead to high rates of business failures and foreclosures on homes and farms.

High interest rates are also hitting farm families with tragic effects. Thousands of farm families are being driven off their land as banks foreclose on overdue farm loans, while the Reagan Administration is calling for an end to basic farm programs.

Other critical aspects of the still too high interest rate levels surface in the international economic arena. As foreigners seek high rate investments in high-return, dollar-denominated securities, the foreign exchange value of the dollar keeps climbing to record highs—and so does the U.S. trade deficit which in turn destroys U.S. jobs by the millions. Furthermore, foreign countries are making retaliatory increases in their interest rates to stem capital outflows, which can develop into an international rate war to hold capital. Such a development, furthermore, would devastate the developing countries with floating rate loans that are just beginning to recover from deep recession.

Unemployment Rate 1968-85



Source: Bureau of Labor Statistics

Unemployment by State and region, December 1984

	Percent unemployment
Northeast:	
Maine	5.7
New Hampshire	4.1
Vermont	4.3
Massachusetts	3.9
Rhode Island	4.5
Connecticut	4.7
New York	6.5
New Jersey	5.4
Pennsylvania	7.3
South:	
Delaware	5.9
Maryland	5.3
District of Columbia	8.1
Virginia	5.1
West Virginia	15.6
North Carolina	7.2
South Carolina	7.3
Georgia	5.6
Florida	6.1
Kentucky	9.1
Tennesse	8.2
Alabama	11.7
Mississippi	11.0
Arkansas	8.6
Louisiana	10.4
Oklahoma	7.1
Texas	5.6
Puerto Rico	19.4
North Central:	
Ohio	9.2
Indiana	8.7
Illinois	8.6
Michigan	10.6
Wisconsin	7.2
Minnesota	6.8
Iowa	7.1
Missouri	6.7
North Dakota	6.2
South Dakota	4.7
Nebraska	5.0
Kansas	5.5
West:	
Montana	7.0
Idaho	7.3
Wyoming	6.4
Colorado	5.9
New Mexico	7.4
Arizona	4.4
Utah	6.3
Nevada	8.7
Washington	9.4
Oregon	9.4
California	6.9
Alaska	9.9
Hawaii	5.4

SOURCE.—Bureau of Labor Statistics (preliminary, unadjusted).

American Retail Federation,
Washington, DC, March 26, 1985.

Hon. Charles B. Rangel,
House of Representatives,
Rayburn House Office Building,
Washington, DC.

Dear Mr. Rangel: On behalf of the nation's retail industry, we urge your active support of H.R. 983, a bill to extend the targeted jobs tax credit for five years, recently introduced by Rep. Charles Rangel.

The targeted jobs tax credit has proven an effective means of expanding job opportunities for the nation's disadvantaged workers, who encounter severe barriers to employment. The economic recovery alone cannot be counted on to reduce the hard core of persistent high youth unemployment rates. Under TJTC, jobs are created in retailing, a highly labor-intensive industry, with a minimum of federal red-tape and bureaucracy.

Evidence points to TJTC being the most cost-effective of major federal employment programs. In FY 1984, 563,000 placements were made at a cost of $330 million. This works out to an average $622 per placement, as compared to much higher costs per placement under other programs, such as the Jobs Corps and Job Training Partnership Act.

TJTC results in a reduction of unemployment and transfer payments as workers become tax-paying citizens. The State of Maryland Department of Employment and Training made a study to estimate this offset (published in last year's hearings), which was found to average $388 per participant. Subtracting this from $622 yields a net cost of $234 per participant.

Also, we would like to point out that Treasury has revised downward significantly its estimates of the revenue loss associated with TJTC in this year's budget.

Renewal of the program for the five-year term in the Rangel bill is crucial to effective use of this program. We view TJTC as a very positive move to improve the economic health of our country.

We urge you to consider co-sponsoring this vital legislation. We will be happy to be of assistance should you require further information.

Sincerely,

Donald F. White, *Vice President.*

Statement of Terry Westhafer, President, American Retreaders' Association

Mr. Chairman and members of the committee, I appreciate this opportunity to submit testimony in support of H.R. 983. The proposed legislation that you are considering would extend the targeted jobs tax credit.

My name is Terry Westhafer and I serve as President of the American Retreaders' Association [ARA]. ARA is a national nonprofit trade association representing approximately 1600 small business owners who are engaged in the retreading of tires, the repairing of tires, and the sale of related products and services.

As you know, the targeted jobs tax employ (Code Section 51) was enacted in the Revenue Act of 1978 (P.L. 95-600) to replace the expiring credit for increased employment. As originally enacted, the targeted jobs credit was available for wages paid before 1982. The availability of the credit was successively extended by the Economic Recovery Tax Act of 1981 (P.L. 97-34), the Tax Equity and Fiscal Responsibility Tax Act of 1981 (P.L. 98-248), and the Deficit Reduction Act of 1984 (P.L. 98-369). It can now be claimed by an employer for qualified wages paid for services performed in 1986 and 1987 to individuals who begin work for an employer prior to 1986.

The targeted jobs tax credit is available on an elective basis for hiring individuals from one or more of nine targeted groups, including: (1) vocational rehabilitation referrals; (2) economically disadvantaged youths; (3) economically disadvantaged Vietnam-era veterans; (4) Supplemental Security Income (SSI) recipients; (5) general assistance recipients; (6) economically disadvantaged cooperative education students; (7) economically disadvantaged former convicts; (8) Aid to Families with Dependent Children [AFDC] recipients and Work Incentive Program [WIN] registrants; and (9) economically disadvantaged summer youth employees.

The credit generally is equal to 50 percent of the first $6,000 of qualified first-year wages and 25 percent of the first $6,000 of qualified second-year wages paid to a member of a targeted group. Thus, the maximum credit is $3,000 per individual in the first year of employment and $1,500 per individual in the second year of employment. With respect to economically disadvantaged summer youth employees the credit is equal to 85 percent of up to $3,000 of wages for a maximum credit of $2,550. The employer's deduction for wages must be reduced by the amount of the credit.

H.R. 983 would extend the credit through December 31, 1990, to increase the amount of wages eligible for the credit from $6,000 to $10,000, and would liberalize the definition of economically disadvantaged families.

This type legislation has positive social value and is especially beneficial to small businesses in the service sector. Small businesses furnish 2 out of 3 workers nationwide with their first job. Many of these first-time positions are in the service sector, in establishments such as a retread shop or a tire dealership. The service sector has proved to be a traditional doorway to the job market for the young, the minority, and unskilled job seeker. Service industries now employ about 20 million workers, approximately the same number of workers as in the manufacturing sector.

Between 1980 and 1982, 59.2 percent of total new jobs occurred in small firms employing 50 persons or less. Yet times have been cruel to such small firms.

In 1982, 11,948 small firms closed while 32,419 filed for bankruptcy; in 1983 13,134 failed and 32,951 filed for bankruptcy. Those unfortunate examples put 11,171,943 people out of work and represented the highest yearly total of bankruptcies since the 1921 yearly total.

Because the targeted jobs tax credit is a positive incentive to small business owners in the service sector, and because the current credit is scheduled to expire at the end of the year, ARA supports H.R. 983 and urges a timely and positive consideration by this Subcommittee.

FRED S. JAMES & CO. OF CALIFORNIA,
San Francisco, CA, March 11, 1985.

JOSEPH K. DOWLEY,
Chief Counsel, Ways and Means Committee,
House of Representatives,
Washington, DC.

DEAR MR. DOWLEY: I am writing to you both as a practicing rehabilitation counselor and as a legislative committee member of the California Association of Rehabilitation Professionals. The purpose of this correspondence is to urge your support of HR 983 which would extend the targeted job tax credit which is currently available for employers who hire disabled workers.

As you probably know, in a highly competitive labor market, it is frequently very difficult for injured and disabled workers to compete with their more able-bodied peers. The above referenced targeted job tax credit has been a highly successful tool in opening up employment opportunities for the disabled which might otherwise have remained available only to the able-bodied. Wouldn't you agree that work incentives of the disabled ought to be encouraged and supported? We do and we are greatly concerned that such a worthwhile and effective program may not be continued.

In summary, please support HR 983, the Rangel bill, to your fullest ability. It is a highly successful means of assisting injured and disabled workers in resuming gainful employment. Thank you for your consideration.

Sincerely,

MARTHA J. BODOR, M.ED., C.R.C,.
Associated California Loggers,
Risk Management/Rehabilitation Specialist.

STATEMENT OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

The Associated General Contractors of America [AGC] represents more than 32,000 firms, including 8,400 of America's leading general contracting firms which are responsible for the employment of more than 3,400,000 individuals. These member contractors perform more than 80 percent of America's contract construction of commercial buildings, highways, industrial and municipal-utilities facilities.

AGC supports H.R. 983 and recommends that only minor administrative changes be made to the bill and that the provisions of the bill extending the targeted jobs tax credit for five years, with an increased wage base for the credit, should be enacted into law. AGC's recommended administrative changes, discussed below, reflect the unique employment practices found in construction which make tax credit certification more difficult than in most industries. The recommended administrative changes will provide construction employers an opportunity to make the necessary management adjustments to better utilize the tax credit and create more employment opportunities. Rules for successfully electing the tax credit have been changed too frequently in the past and have created the impression among many employers that the compliance procedures are too burdensome to be overcome. A significant commitment to continue the use of the tax credit will give these employers the justification to adjust their management practices to utilize the tax credit and create more employment opportunities for members of disadvantaged groups.

Employment practices in the construction industry pose some significant compliance problems for construction contractors which are not faced by most employers. The typical construction contractor is generally required to hire employees on the day they begin work. Interviews and employment offers are usually made at the job site, not the company headquarters. If a significant number of individuals are to be hired on a specific date the company's personnel staff are generally present. When only a few positions are being filled, construction supervisory personnel assume the employment function. Smaller firms are generally required to use supervisory construction personnel for hiring purposes. The compliance procedures are significantly more difficult to perform when construction supervisors perform the hiring duties. The following administrative modifications are recommended to alleviate the more burdensome features of the compliance procedures forced by construction industry employers.

Present law requires that a written request for tax credit certification must be postmarked no later than the day the employee actually starts work. This requirement poses a significant burden when construction supervisors perform the employment responsibilities. The burden of reviewing the employee's tax credit qualification data is significant in these situations. In addition, merely obtaining the appropriate postmark can be difficult. Many smaller rural post offices do not postmark mail. The construction superintendent must find one that will postmark applications on the day they are delivered. An alternative is to employ the services of a consulting firm. However, such firms generally use a telephone procedure to determine initial eligibility and file forms from their headquarters. The cost justification of such a service is dependent on management's willingness to adjust its operation. However, for many smaller construction firms this is not a cost effective practice. AGC recommends that the postmarking requirement be relaxed to three business days after the employee's hiring date rather than on the hiring date itself. At the very minimum, AGC recommends that it be made clear that individuals hired on a holiday or Sunday may have their application postmarked on the following day.

AGC also suggests that the present rule prohibiting tax credit eligibility for former employees be relaxed. AGC recommends that an individuals be eligible if employment occurred before a set period of time. This time period could be based on the time employers are required to maintain employment records for current tax returns (3 years). Construction workers are frequently hired for the duration of a project. These workers know they will be employed by a number of firms during their working lives, unlike fixed based industries such as manufacturing. If a sufficient period of time has elapsed since a former employment period to assure that the TJTC is not abused, an individual who is otherwise economically disadvantaged should not be denied credit certification. The open end prohibition of credit availability for former employees also places construction employers in a difficult administrative position because of the sheer volume of records which must be kept due to the inherent employee turnover in the construction industry.

AGC also suggests that a de minimus employment rule be added to allow workers to be eligible for TJTC certification if they were employed previously for a short period of time. Individuals frequently enter construction in temporary labor positions. If the temporary employment is satisfactory, these individuals are frequently offered regular employment when a contractor has another project. AGC recommends that if the individual's initial work period is less than 30 days, he should remain eligible for TJTC certification.

AGC believes that the intended benefits of the TJTC have been hampered by excessively restrictive procedural rules which have created a negative impression of the tax credit for many employers. These impressions will be substantially reduced, if not eliminated, if the TJTC is extended for a substantial period with the suggested administrative changes to tax credit qualification rules.

STATEMENT OF FLORENCE AVANT, DIRECTOR, MANAGEMENT CONSULTING SECTION, BURRIS & ASSOCIATES, INC., SILVER SPRING, MD

BACKGROUND

I offer this statement in my present capacity as a minority business person. Personal and professional experience has allowed me to develop a unique perspective on the Targeted Jobs Tax Credit (TJTC) Program. I have served as a state TJTC specialist, a social worker, and a public policy analyst for several national children, youth, and family organizations. Currently, I coordinate a job support group for my church. Professionally, I am a Human Resource Consultant, assisting businesses in updating their management of government programs. This broad experience with TJTC has allowed me to observe its effectiveness in creating meaningful employment for the structurally unemployed.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Changes in H.R.983: (1) Increasing the wages available for TJTC from $3,000 to $5,000 will attract the much needed above minimum wage employers with the jobs that offer more marketable work experience. (2) Liberalizing the definition of low-income family is most beneficial, however, the long-term unemployed and the job seekers over 55 years of age, who meeting income guidelines should be given consideration as target groups.

OBSERVATIONS ON THE OVERALL EFFECTIVENESS OF THE TARGETED JOBS TAX CREDIT PROGRAM

TJTC does increase the number of jobs for target group members.—As a state employment specialist I was able to obtain jobs and job offers for applicants on the strength of their TJTC eligibility alone. The majority of the youth, recently separated military youth and AFDC recipients had been unable to get jobs before being vouchered. The long-term unemployed and those over 55 years of age were extremely difficult to place in fulltime permanent positions. This is the reason for requesting their consideration as additional target groups.

TJTC induces hires.—While working with the State Employment Service my duties included weekly site vouchering services to a regional food retailer. I was able to induce hires for TJTC eligibles by bringing their eligibility to the attention of the interviewers. This employer has 16,000 employees, five employment centers (the lead number of new hires per center was 260 per month). The $500,000 in 1983 TJTC earnings covered the complete costs of personnel operations for the company.

TJTC has residual effects on increasing the marketable skills among target group members.—As the assistant TJTC coordinator for an international hospitality/health care corporation with over 20,000 employees in 400 facilities and 1.5 million in TJTC earnings, I observed that over 17 percent of the employers were eligible. In spite of a turnover rate of 46 percent, half of the TJTC eligibles were still with the company their second year of employment. The purpose of the program was met in two ways. (1) The certification required in health care permanently adds to the marketable skills of TJTC eligible employees, even if the employee terminates soon after training. (2) There should be a measurable number of new state and federal tax payers in several states as a result of TJTC induced hiring by such a large company.

A liberal generalization is that TJTC usage gradually reduces the number of people vulnerable to structural unemployment or public assistance due to a lack of marketable job skills.

TJTC is inclusive.—As a business person who assists business on government programs, I have observed that TJTC does not exclude more skilled employees, TJTC simply allows employers to hire two to three employees on funds budgeted for one. While vouchering on-site as a state official, not once was it apparent that employers hired fewer "regular" employees, only that they hired more people with the increased funds made available by TJTC.

OTHER COMMENTS

Third party vendors.—Employers should be encouraged to take full responsibility for managing these type programs. This may not be an area the subcommittee has control over, but should be made more aware of because it may affect overall effectiveness. Major complaints: as a state employment specialist and a TJTC coordinator in a national company with facilities in most states, I observed that there seems to be an interest, long-standing friction between state employment officials and third party vendors that direct TJTC operations for employers. TJTC eligibles referred to state offices arrive without knowing "why they are there", what is in it for them or that it is voluntary. The bill collecting style used by third party vendors involves repeated calls to the new employees at home and on the job until the employee goes for a TJTC determination. Newly hired employees are not allowed to start work until they go for TJTC determination. This seems to be a terrible abuse of people desperate about their new jobs, the very people the program is set up to benefit. This comment is not intended as an assault on free enterprise, however, perceived complexity in federal programs has always been a hinderence to maximum effectiveness. TJTC has stabilized to the point that employers can manage it directly. Direct employer involvement would insure the development of a partnership between employer and employee, where both would be more concerned about the serious investment TJTC was intended to be.

California Association of Rehabilitation Professionals,
Sacramento, CA, March 13, 1985.

Joseph Dowley,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

Dear Mr. Dowley: As President of the California Association of Rehabilitation Professionals [CARP], our organization requests your endorsement of the extension of the Targeted Job Tax Credit Program as proposed in HR 983, sponsored by Representative Rangel. CARP is a 500 member professional association in California which represents the interests of rehabilitation counselors, job developers and rehabilitation nurses in assisting industrially injured workers to return to gainful employment. The TJTC program has proven to be a powerful incentive for employers to rehire disabled workers who customarily are excluded from consideration.

Additionally, we strongly urge that the legislation be worded to include that rehabilitation counselors in the private sector be allowed to certify injured workers for eligibility. All rehabilitaton plans for industrially injured workers are required to be approved by the state-administered Rehabilitation Bureau which has previously determined that the worker cannot return to work due to the disabling condition. Currently, only rehabilitation counselors in the public sector are permitted to determine eligibility which creates another level of the bureaucracy for the injured worker to overcome.

For your information, we will be represented during the hearings on the bill by our lobbyist in Washington, DC. Thank you for your consideration of our requests.

Sincerely,

Thomas P. Yankowski, M.S., C.V.E.,
President.

California Association of Rehabilitation Professionals,
Sacramento, CA, March 8, 1985.

Joseph Dowley,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

Dear Mr. Dowley: The California Association of Rehabilitation Professionals wishes to convey its strong support for the passage of HR 983 which would extend and increase the Targeted Job Tax Credit program.

This particular program has proved to be a significant incentive for employers to hire disabled workers. We have found that employers are responsive to hiring disabled when such incentives are provided. The continuation of such a program is vital if we are to be able to continue returning injured workers to productive employment.

We would also request at this time that modifications to current guidelines be formulated to allow private sector Rehabilitation professionals to certify injured workers for eligibility for such tax credits. At present it is necessary to obtain such certification through the State Dept. of Rehabilitation. We do not consider this to be necessary or equitable for disabled workers who are receiving services from a private sector counselor.

We request that your Committee give consideration to our request.

Respectfully yours,

LOU ANTONELLI,
Legislative Chairperson.

STATEMENT OF CALIFORNIA ASSOCIATION OF REHABILITATION PROFESSIONALS

This statement is being submitted by the California Association of Rehabilitation Professionals pertaining to the March 12, 1985 hearing on the proposed Extension of the Targeted Jobs Tax Credit. The Association appreciates the opportunity to present written testimony regarding the Targeted Jobs Tax Credit.

The California Association of Rehabilitation Professionals is a trade association representing private sector rehabilitation professionals throughout the State of California providing vocational rehabilitation services to industrially injured workers. These are individuals injured in the course of employment who cannot return to their pre-injury occupation and are entitled to such benefits under the workers' compensation laws of our state. Our comments focus on two principle points: (1) to encourage Congress to enact an extension of the Targeted Jobs Tax Credit as proposed in H.R. 983; and (2) to propose an amendment to the current law which would resolve an inequity in the Targeted Jobs Tax Credit program as it relates to one of the targeted classes of individuals participating in the program as currently operated.

The members of the California Association of Rehabilitation Professionals believe the Targeted Jobs Tax Credit program serves a vital function in assisting in the reemployment of industrially injured workers in California and we wholeheartedly encourage an extension of this valuable program. Industrially injured workers, are career workers who have had their lives and employment disrupted due to a serious occupational injury, which precludes them from returning to their usual and customary employment. These individuals, due to the seriousness of their injuries, are generally disabled for a period of at least six months plus an additional period required for re-employment training necessary to provide vocational rehabilitation services designed to return the individual to gainful employment. Employer anxieties over the possible aggravation of an individual's previous work injuries and the resultant adverse affects on the employer's medical and workers' compensation insurance programs, often stand as obstacles to the industrially injured worker's return to productive employment.

The Targeted Jobs Tax Credit program is essential in providing assistance to rehabilitated workers as an incentive for employers to give these workers a chance to return to gainful employment. A return to work is the best possible medical and psychological treatment in the worker's ultimate total recovery from the effects of a major job injury and, in most instances, a necessity in dealing with the injured worker's family and financial situation.

In California, Targeted Jobs Tax Credit is considered so necessary and important in assisting workers in obtaining employment, that the State has enacted a State Targeted Jobs Tax Credit program of its own known as the California Jobs Tax Act. This law complements the Federal Program, providing an additional State tax credit equal to ten percent of each year's wages up to $3,000, or a tax credit for the two years, or $600 in wages paid to an employee hired from one of the targeted groups. In terms of industrially injured workers alone, during the period January 1 through September 30, 1984, there were some 436 certified Targeted Jobs Tax Credit referrals; these are workers who have completed or are participated in a vocational rehabilitation program. Approximately sixty percent of these referrals were successful using the Targeted Jobs Tax Credit program in obtaining new employment. These individuals are only a portion of one of the ten targeted groups eligible for certification under the program. Such statistics are an indication of the success of the overall Targeted Jobs Tax Credit program. We believe this type of success and the positive effects on the individual and family lives of workers in this country are the strongest arguments for the continuation of this program as proposed by H.R. 983.

Our second purpose is to urge an amendment to Section 51(d)(2) of the Internal Revenue Code relative to the Targeted Jobs Tax Credit. Our goal in proposing this amendment is to resolve a substantial inequity in the program affecting the specific targeted group defined as a "vocational rehabilitation referral."

A "vocational rehabilitation referral" is defined by Section 51(d)(2)(i) as any individual who is certified by the designated local agency as having a physical or mental disability which, for the individual, constitutes or results in a substantial handicap to employment. This individual has been referred to an employer upon completion of (or while receiving) rehabilitative services pursuant to an individualized written rehabilitation plan under a state plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973. We believe the application of this current definition regarding "industrially injured workers," those workers who are injured in the scope and course of employment and come under the workers' compensation laws of each state, is unfair since the result is that workers in like circumstances are treated differently with regard to whether they are covered by the definition.

Although industrially injured workers are not specifically referred to under Section 51, they are eligible for the program when they qualify for vocational rehabilitation under the worker's compensation laws of their particular jurisdiction and when they receive rehabilitation services from the state agency which is approved to offer such services to mentally or physically handicapped persons under the Rehabilitation Act of 1973. Under the provisions of the Act, each state must have an approved plan and a designated agency to deliver vocational rehabilitation benefits to any mentally or physically handicapped individuals. As set out in Section 51(d)(2)(B)(i), these individuals are eligible for Targeted Jobs Tax Credit certification. In several jurisdictions, however, the state agency is also responsible for providing all vocational rehabilitation services to those persons who are injured in the work environment as defined above. In those states, industrially injured workers are eligible for certification under the Targeted Jobs Tax Credit program. This situation arises most frequently in states that utilize an exclusive state fund to provide all workers' compensation insurance for the state's employers. In other jurisdictions, such as California, Oregon, and the District of Columbia, workers compensation coverage is provided by several entities including insurance carriers, state funds, and self-insurance. It is in these states that the situation regarding coverage of industrially injured workers for Targeted Jobs Tax Credit produces a different result.

In California an industrially injured worker who qualifies for workers' compensation vocational rehabilitation has a rehabilitation plan developed by a qualified rehabilitation counselor (rehabilitation vendor), reviewed and approved by the Rehabilitation Bureau within the Department of Industrial Relations, and implemented through the services of rehabilitation vendors. None of these vendors necessarily have any connection with the Rehabilitation Act of 1973, which is a prerequisite to certification under the Targeted Jobs Tax Credit legislation. Though, many of these workers do become eligible for the program because one of the vendors of rehabilitation services in California is the State Department of Rehabilitation, which is the agency approved to provide vocational rehabilitation services for mentally or physically handicapped individuals under the Rehabilitation Act of 1973.

Most industrial workers who qualify for workers' compensation vocational rehabilitation are provided services by private vocational rehabilitation vendors and not by the State of California. The State Department of Rehabilitation does not have the capacity to service all such cases nor was it the intent of state legislation to do so. These workers, although identical in circumstances to workers who receive services from the Department of Rehabilitation, are not eligible to be certified for the Targeted Jobs Tax Credit, as private vendors do not qualify under the provisions of the Rehabilitation Act of 1973 to certify rehabilitation referrals for purposes of the Targeted Jobs Tax Credit. Therefore, these workers are denied the opportunity to offer a prospective employer the incentive of tax benefits to assist in obtaining new employment.

This situation also applies to self-insured employers who provide in-house rehabilitation counselor services to injured workers who qualify for workers' compensation vocational rehabilitation. This discrepancy is apparent even though services provided by the State Department of Rehabilitation, private vendors, or in-house rehabilitation counselors of self-insured employers are identical and must be approved by the same State regulatory body within the Department of Industrial Relations. Thus, only a portion of industrially injured workers are eligible to be certified for the Targeted Jobs Tax Credit in certain states, such as California, while in other states which mandate the approved state agency to do all workers' compensation vocational rehabilitation, workers are able to qualify for certification under this program.

We propose an amendment to alter the current situation by adding an eligibility criteria to the definition of "vocational rehabilitation referral." Section 51(d)(2)(B)(iii), as proposed, would provide that any person participating in an individualized written rehabilitation plan pursuant to a state program for vocational rehabilitation of industrially injured workers would be eligible for the Targeted Jobs Tax Credit program. This amendment would correct the current arbitrary and in-equitable system by making all such workers eligible for Targeted Jobs Tax Credit certification.

We believe this change is consistent with the expansive scheme of the program and project the additional cost of adding these industrially injured workers, not already covered by the program, to be relatively small in comparison to the benefits of assisting workers in obtaining employment, especially after the emotional and financial devastation they have experienced. The specific language of the proposed amendment adds subsection (iii) to Section 51(d)(2)(B) of the Internal Revenue Code to read as follows: "(iii) an individualized written rehabilitation plan pursuant to a state program for vocational rehabilitation of industrially injured workers."

Thank you for the opportunity to express our position on this vitally important issue. We offer the services of our Association to the Subcommittee on this and any other issue pertaining to assisting industrially injured workers in returning to gainful employment.

CASSERLY & ASSOCIATES,
Santa Barbara, CA, March 20, 1985.

Mr. JOSEPH DOWLEY,
Chief Counsel, Committee on Ways and Means,
Longworth, House Office Building,
Washington, DC.

DEAR MR. DOWLEY: I am writing to express my support of the proposed extension of H.R. 983 providing for the Targeted Job Tax Credit.

As a vocational rehabilitation counselor in the State of California's Private Sector, I have found the Targeted Job Tax Credit a major impetus to employers in returning injured workers to suitable and gainful employment. These injured workers already have a significant drawback to their securement of employment and the Targeted Job Tax Credit has helped many overcome this barrier.

I strongly encourage the continued passage of this great incentive to employment rather than drain our already swollen welfare rolls.

Cordially,

DEBRA VITALI, M.A.,
Rehabilitation Counselor, Member, California Association of Rehabilitation Professionals Central Coast Rehabilitation Association.

CASSERLY & ASSOCIATES,
Santa Barbara, CA, March 19, 1985.

Mr. JOSEPH DOWLEY,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR SIR: This letter is to encourage the passage of H.R. 983 which authorizes the extension of the Targeted Job Tax Credit. As a Vocational Rehabilitation Counselor in the private sector in the state of California, I have found that the TJTC is many times the major impetus for many employers offering employment to industrially injured workers. Workers injured on the job often have a difficult time finding new employment once they are ready to return to the work place. The taxes paid by the newly employed worker in the years of his or her future employment would significantly offset the credit. The alternative could be another family on the state's welfare system.

Thank you for this opportunity to voice my opinion.

Cordially,

JANICE C. CASSERLY, M.S., C.R.C.,
Certified Vocational Rehabilitation Counselor, Member of the California Association of Rehabilitation Professionals.

CHASE BAG CO.,
Greenwich, CT, March 11, 1985.

Mr. JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR SIR: Through the Standard Federal Tax Reports—Number 13, of 3/6/85 we read of the hearings on the extension of Targeted Jobs Tax Credit.

Over the last five years we have averaged about one hundred (100) employees per year on TJTC and they came from all of the economically disadvantaged categories.

The last time we checked we noted that about 67% of employees on TJTC stayed with us through the two year period and after as permanent employees.

Employee, employer and government benefitted because of the program.

We would like to see an extension of TJTC through December 31, 1990 and an increase in the amount of wages eligible for the credit from $6,000 to $10,000 and a further liberalizing of the definition of economically disadvantaged families. These changes would tend to expand the program benefits for all concerned

Very truly yours,

JOSEPH W. O'NEILL.

DYNALECTRON CORP.,
McLean, VA, March 25, 1985.

Mr. JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR MR. DOWLEY: Our company employs a significant number of persons who are defined in the nine targeted jobs tax credit groups, and we would like to express support for H.R. 983 to extend the availability of the credit through 1990.

We will hire over 2,000 new employees in 1985. Our hiring locations utilize an identification system for qualified employees, and one of our largest locations works directly with the local Employment Security Commission seeking TJTC referrals. This credit reduces our overall cost of employment while providing jobs for the targeted groups—especially the economically disadvantaged youth. The reduction in employment costs may also justify an increase to our overall employment base.

We agree with the Congressional Research Service (CBS) report in that TJTC is more cost efficient at creating jobs than the CETA program, and an enterprise zone credit plan would cost more for employers and government agencies to capture less overall benefits. The current TJTC program provides an efficient method to capture the benefits for selecting the targeted employee while reducing the time and expense of interacting with federal and state agencies.

Please consider an extension of this valuable credit as a positive step to provide more jobs for those who need them while minimizing the administrative burden frequently caused by incentive programs.

Very truly yours,

MARSHAL J. HYMAN,
Tax Director.

FOOD MARKETING INSTITUTE,
Washington, DC, March 22, 1985.

Hon. CHARLES B. RANGEL,
Chairman, Subcommittee on Select Revenue Measures,
Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR MR. CHAIRMAN: The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1500 members—food retailers and wholesalers and their customers in the United States and overseas. FMI's domestic member companies operate over 17,000 retail food stores with a combined annual sales volume of $130 billion—half of all grocery sales in the United States. More than three-fourths of FMI's membership is composed of independent supermarket operators or small regional firms. Its international membership includes more than 100 members from 37 nations.

The Food Marketing Institute would like to go on record in support of a multi-year extension of the Targeted Jobs Tax Credit (TJTC) program. For the labor-intensive food retailing industry, the TJTC has proven to be a workable response to our country's problem in integrating economically disadvantaged or handicapped Americans into the national work force. Our industry believes this program to be a particularly effective approach in encouraging private sector employers to hire individuals from groups that otherwise would not be able to secure employment.

The Food Marketing Institute would like to point out, however, that it favors a complete income tax restructuring and has gone on record in support of the Treasury proposal. If such a restructuring should be approved, and if other special tax credits are allowed to expire, we would not oppose allowing the TJTC to expire along with the other tax credits. We believe overall tax restructuring and simplification has a much higher priority than extension of these credits.

We would appreciate it if you would include this statement in the record of your subcommittee hearings on this subject.

Sincerely,

HARRY SULLIVAN,
Senior Vice President and General Counsel.

FOOTWEAR INDUSTRIES OF AMERICA,
Arlington, VA, March 28, 1985.

Mr. JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building,
Washington, DC.

DEAR MR. DOWLEY: In lieu of an appearance before the Subcommittee on Select Revenue Measures of the House Committee on Ways and Means, the Footwear Industries of America, Inc. (FIA) is submitting this letter in support of the extension of the targeted jobs tax credit. We ask that our letter be placed in the official hearing record on this issue.

FIA is the trade association for the domestic non-rubber footwear industry. Many of our members are using the jobs tax credit. Indeed, in an industry such as ours, the credit is particularly well suited for a variety of reasons.

First, U.S. footwear producers are swimming against a tide of imports from countries with very low wages. Any program which helps the industry bring in new workers, and get them through the initial training stages helps us in our efforts to stay competitive with such imports.

Second, many new workers in the footwear industry fall into the categories of people for which the jobs tax credit program is designed—the disadvantaged and other structurally unemployed persons. For many of these people, a job in the footwear industry is a way into the job market.

Third, our industry uses the jobs tax credit extensively. Without it, we believe that many fewer people would have been employed by individual firms in our industry. There is no doubt that it has created an incentive for footwear companies to employ individuals from the target groups.

Fourth, the non-rubber footwear industry is in very bad shape. Profits are down as imports continue to take their toll. To remove at this time an incentive such as the targeted jobs tax credit from an industry such as ours—fundamentally a labor-intensive industry—would provide an additional financial burden to footwear producers when many are just holding on.

Finally, the FIA strongly supports Chairman Rangel's bill H.R. 983 (co-sponsored by Congressmen Wheat and Campbell) to extend the credit through December 31, 1990, to increase the amount of wages eligible for the credit from $6,000 to $10,000 and to liberalize the definition of economically disadvantaged families.

FIA urges the Subcommittee to report this bill favorably to the full Committee at the earliest possible time in order to alleviate uncertainties about the extension of this import legislation.

Sincerely,

FAWN K. EVENSON,
Vice President, National Affairs.

GOLD KIST INC.,
Atlanta, GA, March 18, 1985.

Mr. JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR MR. DOWLEY: Gold Kist is an Agri-business firm located in Atlanta, Georgia. We have approximately 9,000 employees located in 9 southeastern and southwestern states. Many of our facilities are located in areas that have been designated as economically depressed with high unemployment.

Since the initial approval of the Targeted Job Tax Credit program, we have supported the program to the fullest extent and have employed over 1,000 certified as eligible fcr tax credit. As you may expect, we have experienced a higher turnover rate with this group, however, many of them have developed into good employees. Consequently, they have become taxpayers instead of tax burdens.

We are certainly in favor of continuing the Targeted Job Tax Credit program and hope you and others can convince Congress to continue the program.

Sincerely,

HAROLD L. CHRISTOPHER,
Director, Planning and Employment.

GOODWILL INDUSTRIES OF SACRAMENTO VALLEY, INC.,
Sacramento, CA, March 22, 1985.

Mr. JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR MR. DOWLEY: I am writing this letter to support the continuance of the Targeted Jobs Tax Credits. Goodwill Industries of Sacramento Valley has been highly committed to placing disabled indivuduals into competitive employment. In 1984, 104 individuals, many of whom were severely disabled, were trained and placed into competitive, employment through the efforts of Goodwill Industries. Many of these individuals would not have been placed had it not been for Targeted Job Tax Credits.

These tax credits are a critical factor in placing disabled individuals into employment. As you are probably aware, many employers are somewhat reluctant to hire individuals who have disabilities. The tax credits provide an incentive for employers to take a chance on an individual who is disabled. Quite frequently, when the employer hires a disabled individual, their experience has been very positive and has led to them hiring additional disabled individuals. This scenerio would probably not occur if the Targeted Jobs Tax Credits were eliminated.

I strongly urge the tax credits be contiuned so that thousands of disabled individuals can continue to obtain competitive employment and lead more independent lives.

Sincerely,

RICHARD CORAK, M.A.,
Director of Rehabilitation Services.

STATEMENT OF DR. ROY LITTLEFIELD, EXECUTIVE DIRECTOR, GREATER WASHINGTON/MARYLAND SERVICE STATION ASSOCIATION

Mr. Chairman and members of the committee, I appreciate this opportunity to submit testimony in support of H.R. 983. The proposed legislation would extend the targeted jobs tax credit. My name is Roy Littlefield and I serve as executive director of the Greater Washington/Marlyland Service Station Association. GWMSSA is a regional nonprofit trade association, representing over 1,000 small business service station dealers who operate in the District of Columbia and the State of Maryland.

The targeted jobs tax credit (code section 51) ws enacted in the Revenue Act of 1978 (Public Law 95-600) to replace the expiring credit for increased employment (the "new jobs credit"). As originally enacted, the targeted jobs credit was available for wages paid before 1982. The availability of the credit was successively extended by the Economic Recovery Tax Act of 1981 (Public Law 97-34), The Tax Equity and Fiscal Responsibility Tax Act of 1981 (Public Law 98-248), and the Deficit Reduction Act of 1984 (Public Law 98-369) so that it may now be claimed by an employer for qualified wages paid for services performed in 1986 and 1987 to individuals who begin work for the employer before 1986.

The targeted jobs tax credit is available on an elective basis for hiring individuals from one of more of the nine targeted groups. The targeted groups are (1) vocational rehabilitation referrals; (2) economically disadvantaged youths; (3) economically disadvantaged Vietnam-era veterans; (4) supplemental security income [SSI] disadvantaged cooperative education students; (7) economically disadvantaged former convicts; (8) aid to families with dependent children [AFDC] recipients and work incentive program [WIN] registrants; and (9) economically disadvantaged summer youth employees.

The credit generally is equal to 50 percent of the first $6,000 or qualified first-year wages and 25 percent of the first $6,000 or qualified second-year wages paid to a member of a targeted group. Thus, the maximum credit is $3,000 per individual in the first year of employment and $1,500 per individual in the second year of employment. With respect to economically disadvantaged summer youth employees, however, the credit is equal to 85 percent of up to $3,000 of wages for a maximum credit of $2,550. The employer's deduction for wages must be reduced by the amount of the credit.

H.R. 983 would extend the credit through December 31, 1990, increase the amount of wages eligible for the credit from $6,000 to $10,000, and would liberalize the definition of economically disadvantaged families.

This type legislation is especially beneficial to small businesses in the service sector. Small businesses furnish 2 out of 3 workers with their first job. Many of these first-time positions are in the service sector, the traditional doorway to the job market for the young, minority, and unskilled workers, approximately the same number of workers in the manufacturing sector.

Between 1980 and 1982, 59.2 percent of total new jobs occurred in small firms, employing 50 persons or less. Yet times have been cruel to small firms.

In 1982, 11,948 small firms closed while 32,419 filed for bankruptcy; in 1983, 13,134 failed and 32,951 filed for bankruptcy. Those occurrences put 11,171,493 people out of work and represented the highest yearly total of bankruptcies since the 1921 yearly total.

Because the targeted job tax credit is a positive incentive to the small business owner in the service sector and because the current credit is scheduled to expire by year's end, GWMSSA supports H.R. 983 and urges timely consideration and prompt favorable consideration.

INDUSTRIAL HEALTH CONSULTANTS,
Santa Barbara, CA, March 26, 1985.

JOSEPH DOWLEY,
Chief Counsel, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. DOWLEY: I am a rehabilitation counselor in the State of California working out of the Santa Barbara Tri-Counties area. I am writing out of my personal concern with regard to the sessation of the Target Job Tax Credit incentive which is offered to employers upon hiring individuals who are partially permanently disabled, due to work injuries. Employers are generally reluctant to take the risk on a previously injured worker as it jeopardizes their personal Workers' Compensation Insurance should that individual suffer an exacerbation of that previous injury. The TJTC has been extremely effective in offering an incentive to this employer to take that risk, namely the savings of up to $3,000.00 the first year of training employment and $1,500.00 the second year of training employment. I have had numerous occasions to utilize the TJTC and find it very well received in assisting me in placement of injured workers back to gainful employment.

I am acutely aware of the necessity to cut governmental spending; however, I do not feel that this is a cost effective place to do that. The TJ TC program is geared to assist individuals who have by history been gainfully employed and are successful workers. In my experience with individuals I have placed under this program, I have had nothing but success in returning the worker to gainful employment.

It is my hope that you will reconsider the elimination of the program as I feel it is beneficial to individuals who are contributing to the overall economy and who are the back bone of this country, namely the worker.

I thank you for your consideration in this matter.

Yours sincerely,

NANCY GOTTLIEB, M.A.

SANTA BARBARA, CA, *March 29, 1985.*

Mr. JOSEPH DOWLEY,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, DC.

DEAR MR. DOWLEY: I am writing this letter to encourage passage of HR 983 authorizing extension of the Targeted Job Tax Credit.

I work as a job developer with a private vocational rehabilitation firm. The TJTC is often the deciding factor for many employers hiring industrially injured workers. The taxes paid by the newly employed worker would significantly offset the credit.

The expense seems minimal when compared with the cost of another family on welfare.

Thank you for this chance to express my concern regarding this issue.

Sincerely,

CHRISTOPHER J. KENT.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, March 7, 1985.

Hon. CHARLES B. RANGEL,
Chairman, Subcommittee on Select Revenue Measures,
Longworth House Office Building,
Washington, DC.

DEAR MR. CHAIRMAN: I understand that the Subcommittee on Select Revenue Measures has scheduled hearings on the Targeted Jobs Tax Credit program on March 12, 1985.

I regret that I will be unable to attend personally, but I would greatly appreciate the inclusion in the hearing record of the attached letters from Michigan residents.

As you will note, these letters support the addition of an 'Older Workers' category to the groups now targeted for assistance under this act. I support this action myself, and have joined Congressman Rinaldo and others in introducing legislation that would not only extend the Targeted Jobs Tax Credit, but also add 'Older Workers' to the targeted groups.

Thank you for your own interest in removing barriers to employment.

Sincerely,

DALE E. KILDEE,
Member of Congress.

Enclosures.

LAPEER COUNTY COMMISSION ON AGING,
Lapeer, MI, February 19, 1985.

Ms. SUSAN WILHELM,
Staff Director, Subcommittee on Human Resources,
Rayburn Office Building,
Washington, DC.

DEAR MS. WILHELM: Attached, for your information, is the information I have gathered locally on the TJTC.

Pursuant to our conversation, while I was in Washington, on the need to advocate for the introduction of the older worker into the TJTC program, the need is felt greatly that in order for Older Worker Programs (i.e. NCSC Senior Community Services Employment Program, A.A.R.P. Senior Aides, Green Thumb, etc.) to be successful, in the outplacement of older workers within the private sector, that Senior Citizens must be made a viable beneficiary of the TJTC.

Locally, in Lapeer, the Thumb Area Consortium and the MESC Older Worker Program concur with this fact.

Please do what you possibly can to enlighten the legislators in Washington that the private sector needs incentives to hire the Older Worker; whom they perceive as being more costly to employ because of their age, health, and longevity on the job.

We would appreciate any information on your progress in this matter. Hope that I'll be able to visit again in 1985. It was a pleasure meeting with you last November.

By the way, congratulations on your new appointment as staff director for the Subcommittee on Human Resources.

We look forward to hearing from you, and hope that we have been of some help.

Sincerely,

SUZANNE ZERWICK.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM,
Marlette, MI, November 14, 1984.

SUZANNE ZERWICK,
Director, Lapeer County Commission on Aging,
Lapeer, MI.

DEAR SUZANNE: The purpose of this letter is to support your efforts to secure tax credit eligibility for the older worker. During the last year that the Job Training Partnership Act (J.T.P.A.) has been in operation, I have witnessed the positive response of employers to the Targeted Jobs Tax Credit (T.J.T.C.). Employers, in

Lapeer County, are seeking to utilize every tax credit and incentive available. Area employers are investigating all avenues in an attempt to save their company money.

The older worker is at a disadvantage as the majority are not eligible for the Targeted Jobs Tax Credit. I am confident many deserving older workers would be able to secure the employment necessary to supplement their fixed income situation if the T.J.T.C. eligibility requirements were expanded to include the older worker.

Again, please accept this letter as a pledge of support toward your efforts. I look forward to continued cooperation between our agencies for the benefit of our mutual participants.

Sincerely,

REBECCA NICHOLSON,
Lapeer County Educational Specialist.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM,
Marlette, MI, November 14, 1984.

MS. SUZANNE CERWICK,
Director, Lapeer County Commission on Aging,
Lapeer, MI.

DEAR MS. CERWICK: The Thumb Area Employment and Training Consortium would like to take this opportunity to applaud you for your efforts to secure targeted jobs tax credit eligibility for local residents that are Older Workers (Age 55+).

As our organization can attest, the current tax credit eligibility does not adequately address the need to offer financial incentives to the private sector for the hiring of the Older Worker. Current tax credit eligibility has resulted in increased competition for jobs between this age group and the other protected population groups that are covered by TJTC status.

We feel very strongly that adding an Older Worker category to the eligibility definition would increase job opportunities, while enhancing the economic independence of this very special segment of our population.

Sincerely,

MARVIN N. PICHLA,
Executive Director.

MIRFAK ASSOCIATES, INC.,
Sacramento, CA, March 18, 1985.

JOSEPH DOWLEY,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. DOWLEY: I am writing in regard to the Federal Targeted Jobs Tax Credit. As a professional vocational rehabilitation counselor, I have found that the Federal Targeted Jobs Tax Credit has contributed greatly to my efforts to assist disabled persons in their efforts to return to work. The tax credit provides employers with an incentive to hire our rehabilitation clients.

I understand that your committee is considering an extension of the Targeted Jobs Tax Credit program. I urge you to continue this important program for the benefit of disabled workers, and other groups who face employment barriers.

I urge you, also, to extend the Targeted Jobs Tax Credit program to include individuals who are disabled as a result of work related injuries. This is a large segment of the disabled community who, as recipients of workers compensation benefits, face unique obstacles when attempting to return to work.

Thank you for considering my opinion on this matter. As a professional rehabilitation counselor, I would be happy to provide you with further information on the subject should you desire it.

Sincerely,

LAWRENCE J. HICKEY, M.S., C.R.C.,
Rehabilitation Counselor.

MIRFAK ASSOCIATES, INC.,
Sacramento, CA, March 18, 1985.

JOSEPH DOWLEY,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. DOWLEY: I am a member of the Legislative Committee of the California Association of Rehabilitation Professionals, and a rehabilitation counselor in the Sacramento geographical area.

As a rehabilitation counselor in the private sector, I have had many occasions to use the Targeted Job Tax Credit (TJTC) to encourage employers to hire my clients either directly, or to obtain on-the-job training sites. I have found it extremely beneficial in the past, and hope to see the Targeted Jobs Tax Credit proposal, introduced by Representative Charles Rangle, considered for extension through the 1990's. Additionally, there appears to be an increasing need, as an incentive to employers, to increase the tax credit amount. I would like to urge you to consider this issue.

I am also aware that the State Department of Rehabilitation Couselors will soon no longer provide Targeted Jobs Tax Credit certification to injured workers, as the program will be phased out this year. Therefore, I would like to urge that a recommendation be considered to certify rehabilitation counselors in the private sector for this purpose.

Thank you for your cooperation and consideration of the issues affecting vocational rehabilitation in the future. Your ongoing support is most appreciated.

Sincerely,

SHELLEY L. MENDELSON, M.S., C.R.C.,
Rehabilitation Counselor.

NATIONAL ASSOCIATION OF REHABILITATION
PROFESSIONALS IN THE PRIVATE SECTOR,
Twin Peaks, CA, March 18, 1985.

JOSEPH DOWLEY,
Chief Counsel, House Ways and Means Committee, U.S. House of Representatives, Longworth House Office Bldg., Washington, DC.

DEAR MR. DOWLEY: I am writing this letter in support of H.R. 983, which I understand has recently been submitted and would extend the Targeted Jobs Tax Credit through 1990.

The Targeted Jobs Tax Credit is a tremendous assistive device in helping to place the nation's industrially injured. We strongly support the renewal of this legislation and if needed will be available to testify on this matter.

NARPPS represents over 8,000 Private Sector Rehabilitation Professionals around the country. Each of us hopes that Congress will see fit to renew this legislation.

If we may be of any assistance to you in the hearings on this matter please do not hesitate to call or write.

Respectfully,

RICHARD H. LAFON,
Executive Director.

CAL NARPPS CHAPTER, NATIONAL ASSOCIATION OF REHABILITATION
PROFESSIONALS IN THE PRIVATE SECTOR,
Twin Peaks, CA, March 19, 1985.

U.S. HOUSE OF REPRESENTATIVES,
Committee on Ways and Means,
Washington, DC.

(Attention: Joseph Dowley, Chief Counsel.)

DEAR MR. DOWLEY: Cal NARPPS is in support of H.R. 983 that will extend the Targeted Jobs Tax Credits through 1990.

Sincerely,

DEE PEARSALL,
Co-Chairperson, Legislative Committee.

BILL ROBERTS,
Co-Chairman, Legislative Committee.

STATEMENT OF THE NATIONAL MASS RETAILING INSTITUTE

The National Mass Retailing Institute (NMRI) is pleased to provide the House Ways and Means Subcommittee on Select Revenue Measures with comments in support of H.R. 983, the Targeted Jobs Tax Credit Act.

NMRI is a retail trade association whose members' sales represent an overwhelming majority of the $100 billion a year discount retail industry. NMRI represents over 125 discount retail chain members who, collectively, operate over 15,000 stores in all 50 states.

NMRI members are very interested in and concerned about the extension of the targeted jobs tax credit. Many employees in the discount retail industry have been hired under the TJTC program. We believe that the failure to extend the credit will result in a substantial disincentive to continue hiring those individuals from the targeted groups presently covered by the program.

The targeted jobs tax credit program was instrumental in enabling 563,000 disadvantaged Americans to find gainful employment in the private sector last year. Since most of these individuals were previously unemployed or receiving public assistance, the TJTC has been a road out of poverty for many of them. In addition, those individuals who are hired under the program leave the public assistance rolls and become tax-paying citizens.

NMRI believes that the present tax credit program has been very successful from a practical standpoint in reducing unemployment. It has created an atmosphere which encourages companies to seek out and hire disadvantaged Americans who would not otherwise have an employment opportunity.

For example, in 1984, one of our discount retail members hired approximately 3,500 first-year employees whose wages qualified under the program; another member hired 2,000 who qualified, another, 800; and still another, 200. Because of the TJTC, these companies, in many instances, took the initiative to specifically identify individuals from the targeted groups presently covered by the program. If the tax incentive to hire these individuals had not been available, many of them would not have the opportunity to earn a livelihood.

We understand that the Administration and some members of Congress want to eliminate the tax credit and substitute a new system of "enterprise zones". It makes no sense to permit a cost-efficient system like the present TJTC—$586.00 per placement—to expire and replace it with a program of the same type for only specific geographical areas. This new program would favor only those disadvantaged workers who live in a designated "zone" while arbitrarily turning its back on equally needy Americans living outside of the designate "zones", especially in rural America. In addition, any new program would require significant start-up costs that are not needed with the current program.

We realize that business tax credits should be scrutinized carefully under tax simplification. However, we believe that the Targeted Jobs Tax Credit Program has been cost-effective in reducing substantially unemployment through private sector incentives for the most disadvantaged Americans. A recent report (March 13, 1985) released by the House Ways & Means Committee, found that targeted jobs tax credits are more cost-efficient in creating jobs for disadvantaged workers than direct spending programs aimed at achieving the same goals. We agree strongly with H.R. 983 and urge Congress to support the extension of targeted jobs tax credits so that economically disadvantaged and handicapped persons can continue to find gainful employment in the work place.

STATEMENT OF JACK DUNCAN, GENERAL COUNSEL, NATIONAL REHABILITATION ASSOCIATION

My name is Jack Duncan and I am General Counsel for the National Rehabilitation Association located in Alexandria, Virginia. I am here today representing the National Rehabilitation Counseling Association (NRCA) which constitutes the largest professional division of the National Rehabilitation Association. NRCA is dedicated to the professional development of all persons involved in the practice of Rehabilitation Counseling in the development of persons with disabilities.

One of the goals of NRCA is to act as advocate for the needs of disabled people in our society. It is with this goal in mind that I come before you today with our justification as to why the Targeted Jobs Tax Credit (TJTC) should be extended for another five years and that there should be an increase in the maximum credit of $6,000 to a maximum of $10,000 per rehabilitated worker.

This federal tax credit program that has been in effect in effect since it was authorized by Congress in the Revenue Act of 1978 has been a real boost to the hiring of the targeted groups such as disadvantaged youth, handicapped persons, Viet Nam era veterans, etc. As Representative Charles B. Rangel stated, "The targeted groups have the weakest links with the labor market and thus need some form of assistance to encourage employers to take a chance and hire them." (Quoted from the Congressional Quarterly, April 21, 1984). Senator John Heinz noted that the TJTC offers a way out of poverty and joblessness for the physically and economically disadvantaged without causing much of a drain on the Federal Treasury (Congressional Quarterly, April 21, 1984).

The National Rehabilitation Counseling Association could not agree more with Representative Rangel and Senator Heinz. In additional, and from the viewpoint of the Rehabilitation Counselor, TJTC has become an important tool in helping to place qualified, disabled persons in real jobs where they can earn money, gain independence, and become taxpayers. Simply stated, TJTC has assisted disabled persons in the following manner:

It has become a major marketing tool for Rehabilitation Counselors in helping to change attitudes of employers toward hiring handicapped persons. TJTC has been an added inducement for the private sector employer to "try" the handicapped worker (and other targeted groups) on a job.

It has allowed the employer to learn to utilize handicapped workers and become less resistant to hiring persons with disabilities.

TJTC has truly fostered a positive private sector initiative that is proving itself on a daily basis throughout the United States. Just one brief example from the State of Maryland has shown that persons placed on jobs through TJTC during the first six months of 1982 earned significantly more wages over a two year period than those *not* hired under TJTC. This data showed that the TJTC group remained on the job longer than the non-TJTC group studied. In addition, the TJTC sample wages were $4,608 higher per person than those not hired under TJTC.

The other advantage to TJTC is an obvious one. The disabled person who is now gainfully employed *is a taxpayer* instead of a tax taker. As a taxpayer there is also a reduction of the need for other entitlement and welfare assistance that is utilized by unemployed persons of limited means.

We would also urge you to consider that five-year extension of this program since it is working well and more and more employers are becoming aware of this tax inducement to hire persons usually ignored or under utilized in the marketplace. This five-year period would also allow for ample time to gather national data and a chance for the program to really take hold in the corporate community.

In another facet of the TJTC program, we would urge your consideration of raising the amount of the tax credit to $10,000 from the current $6,000. This added inducement to employers to hire the targeted groups would have the effect of getting more attention to this unique method of marketing the employability of those usually shut out of the labor market.

During this time of huge deficits and the need for more tax revenues, there is no better way to develop new or otherwise ignored potential taxpayers. Getting people to work who have not worked and who have therefore, often used numerous welfare programs to sustain themselves, is the best way to foster independence.

The membership of NRCA hope that you will consider our stand and extend TJTC for another five years and increase the tax credit to $10,000 per person.

Thank you.

NATIONAL RENTAL MERCHANTS ASSOCIATION,
Washington, DC, March 26, 1985.

Hon. CHARLES B. RANGEL,
Chairman, Subcommittee on Select Revenue Measures, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: I am writing on behalf of the National Retail Merchants Association to provide testimony on the targeted jobs tax credit on which your subcommittee held its hearing March 19, 1985. We request that this letter and enclosed statement be included as part of the official record of that hearing.

Thank you for your consideration of this request.

Sincerely,

TRACY MULLIN,
Senior Vice President, Governmental Affairs.

Enclosure.

STATEMENT OF THE NATIONAL RETAIL MERCHANTS ASSOCIATION

The National Retail Merchant Association (or "NRMA") is the Nation's largest trade association for the general merchandise retail industry. Its members operate approximately 40,000 leading department, chain, independent and specialty stores in the United States. Annual sales by NRMA members exceed $150 billion and member firms employ more than 3 million workers. Accordingly, changes in the tax law which affect U.S. businesses in general and the employer-employee relationship in particular are of major importance to NRMA and its members.

The targeted jobs tax credit (or "TJTC") was enacted in 1978 to provide an incentive to employers to hire persons from targeted groups experiencing high unemployment rates or other special employment needs. At present, the TJTC is available on an elective basis for hiring individuals from one or more of nine targeted groups.

Over the years, as employers have become more aware of the TJTC program, the TJTC has demonstrated its ability to create jobs for members of the targeted groups and contribute to the Nation's economic growth. Despite the facts that (i) employment growth nationwide during the early years of the program was uneven and (ii) changes in the program have restricted the employees who could qualify, the program has grown from 202,261 certifications of employees in 1982 to 563,381 certifications of employees in 1984. The growth of the program within the retail industry has been even more dramatic. The number of certified employees in the program of one major retailer, for example, has increased from 1413 to approximately 4500 during the same period.

The TJTC is scheduled to expire at the end of 1985. Rep. Charles Rangel has introduced H.R. 983, a bill which would (i) extend the TJTC for five years, (ii) expand the amount of the credit available to employers with respect to each certified employee, and (iii) liberalize the requirements for qualification in the program. NRMA and its members, many of whom have hired employees under the TJTC program, support the Rangel bill to the extent that it does not conflict with efforts to reduce the maximum effective corporate tax rates and believe that the TJTC program should be continued for the following reasons:

1. *TJTC is the Most Cost-Effective Federal Employment Program for the Economically Disadvantaged.*—Recent studies indicate that TJTC has been the most cost-effective federal employment program for the economically disadvantaged, working more efficiently than direct spending programs designed to achieve the same goal. For example, a Congressional Research Service ("CRS") report issued earlier this month determined that it cost $1,000 in fiscal 1984 to create a job under the TJTC program while the Comprehensive Employment and Training Act ("CETA") program spent $4,600 to create the same job in the public sector in fiscal 1981. The CRS report confirms earlier studies that indicated that the average cost per employee in the TJTC program was significantly less than the cost per employee in CETA or its successor, the Job Training Partnership Act ("JTPA"). In addition, many retailers participating in the TJTC program have found it to be the least bureaucratic of the programs designed to provide jobs for the disadvantaged.

2. *TJTC is Best Suited to Help the More Seriously Disadvantaged Worker.*—By targeting persons from groups which face particularly high unemployment or special barriers to employment, the TJTC program allocates resources to those workers most in need of employment and training assistance. Other programs, such as the JTPA, are designed to aid all of the nation's unemployed workers; a significant amount of this aid goes to nondisadvantaged workers. TJTC, by focusing on those disadvantaged workers who might not receive aid under other programs, addresses the nation's structural unemployment by providing assistance to those most in need. Thus, TJTC should be a critical part of any strategy for fighting structural unemployment.

3. *TJTC is Accomplishing the Goals Envisioned by Congress.*—Independent studies of the TJTC program demonstrate that the program is providing jobs for the disadvantaged worker. Despite uneven growth in employment during the early years of the program and changes in the structure of the program which restricted its availability (since 1982, retroactive certification, as well as eligibility for nondisadvantaged cooperative students, have been prohibited), there has been impressive overall growth in the number of employees obtaining jobs under the TJTC program. Within the retail industry, employer awareness of the TJTC is growing, as evidenced by the dramatic increase in the number of certified retail employees participating in the program. Many retailers believe that if there was certainty that the program would continue, there would be further expansion of both the number of retailers involved with the program and the number of employees benefitting from it.

4. *TJTC Contributes to the Nation's Growing Economy.*—By providing entry-level positions in the economy, TJTC helps reduce dependence on welfare and related programs. Workers in the TJTC program are given a foothold in the labor market, with the opportunity for advancement within the company. Retailers report many instances of employees who began in the TJTC program and who have subsequently been promoted to other full-time jobs within the company. Moreover, the program helps satisfy the growing need for unskilled labor, particularly in the retail industry. These goals are accomplished, in major part, by the private sector. Finally, there is no evidence that either the turnover or dismissal rates for employees in the program is significantly greater than the turnover or dismissal rate for employees in general. On the contrary, most retailers have had positive experiences with the TJTC program and have expressed interest in expanding their use of the program.

5. *TJTC is a Proven Program.*—The Administration has proposed instituting a tax credit for hiring disadvantaged workers in "enterprise zones." This program would have limited applicability, would incur the normal start-up costs of any new program and could cause interruptions and/or delays in the delivery of employment opportunities to many potential employees. By contrast, the TJTC program is already in place and has demonstrated its ability to provide effective assistance on a nationwide basis. NRMA believes that it would be more efficient to retain TJTC than to replace it with a less comprehensive program.

CONCLUSION

NRMA and its members believe that the TJTC program should be continued. Retailers have found the TJTC to be a cost-efficient program which contributes to the nation's economy and offers direct assistance to the nation's most disadvantaged workers, who otherwise might require federal assistance. For these reasons, NRMA and its members support H.R. 983.

STATEMENT OF CHARLES SERRAINO, COMMISSIONER, NEW JERSEY DEPARTMENT OF LABOR

The Targeted Jobs Tax Credit Program has proved to be successful tool in providing employers doing business in New Jersey with federal tax credits in return for hiring targeted disadvantaged individuals. It cost effective way to increase private sector employment opportunities and offers taxpaying businesses incentives to make jobs available to the disadvantaged. In addition, eligibility for tax credits provides the Employment Service with an effective tool for referrals of eligible applicants to prospective employers. Should a tax simplification act be proposed which changes or eliminates the Targeted Jobs Tax Credit Program, New Jersey may want to reconsider its position.

New Jersey has been issuing targeted jobs tax credit certifications to its employers since early 1979, when we became one of the first two states to implement a program. Approximately 2000 separate employers have utilized the Targeted Jobs Tax Credit Program during this time with many using the program more than one year. As a result, 65,663 cetifications have been issued through February 28, 1985 with a return of $98,494,500 in tax credits to employers in our State at an estimated net savings of $1500 per employee hired. Tax credit totals are based on our estimate of credits actually received by employers rather than the maximum $4500 credit allowable per employee.

New Jersey recommends reauthorization of Targeted Jobs Tax Credit because the program appeals to a wide range of employers from agricultural to high technology to service and manufacturing operations. It imposes a minimal amount of paperwork and recordkeeping burden on employers, and promotes the hiring of disadvantaged individuals. Administrative costs for each employer certification issued by the New Jersey Job Service average $60 to $80 per certification.

We also recommend that the wage base be increased from the current $6000 to $10,000, which should encourage more employers in our expanding high technology and manufacturing industries to take advantage of available tax credits. The first year credit could be reduced from 50% of the first $6000 in wages to 25% or 30% of the first $10,000 in wages which would allow employers to be eligible for the same amount of credits now received. This recommendation to raise the wage base and reduce percentage of the credit against earned wages is an attempt to increase use by professional, technical, managerial and manufacturing operations.

In summary, the Targeted Jobs Tax Credit Program complements the Job service's and other participating agencies' efforts to obtain meaningful, permanent employment for the disadvantaged.

STATEMENT OF LARRY H. WHITT, VICE PRESIDENT, GOVERNMENT AND PUBLIC AFFAIRS, PIZZA HUT, INC. WICHITA, KS

Pizza Hut, Inc. is the world's largest pizza restaurant company, employing more than 80,000 people. Pizza Hut operates more than 4,600 red-roofed restaurants located in all 50 states and 33 foreign countries. Approximately half of these restaurants are franchise-owned.

This statement is filed in support of extending the Targeted Jobs Tax Credit program for five additional years. Pizza Hut, Inc. also supports H.R. 983 which increases to $10,000 the amount of wages to which the credit can be applied, and liberalizes the definition of economically disadvantaged families.

Pizza Hut views TJTC as a program designed to help create jobs for those targeted groups who have the most difficult time finding meaningful employment. The program has provided the incentive for us to change our sourcing and hiring practices. In our company owned restaurants in 1984, we paid our store managers bonuses in excess of $200,000 for recruiting and hiring TJTC eligibles.

The vast majority of our workforce is young people who are 18 to 25 years old and are hired as part-time employees. In 1984, of the 6,500 employees hired by Pizza Hut, Inc. through the TJTC program, 89% were between the ages of 16 to 25; and 83% were hired as part-timers. Of these 6,500 TJTC employees more than 2,000 remain employed within the Pizza Hut system. In an industry which typically sees a turnover rate approaching 300 percent annually among entry level employees, this is truly a remarkable record.

To further dramatize our use of the program, in 1978, only 213 people were hired under TJTC. By 1984, more than 17,500 people had secured jobs within our system. We have paid this group of employees more than $31,000,000 in compensation.

Present and former TJTC employees hired into entry-level positions, such as part-time cooks and hosts, have the opportunity for career advancement. Many have worked through our system to become managers and area supervisors.

One particular area supervisor began his career with Pizza Hut through the TJTC program. Certified as a minority disadvantaged youth, he was hired as a part-time cook in late 1980. Within two years, he had progressed to become a restaurant manager. After only one year and seven months as manager, he was promoted to area supervisor with accountabilities for the physical properties and sales of six of our restaurants within the Kansas City metropolitan area. His progression with Pizza Hut has enabled him to attain his goal of advancement within our company, and equally important, he is earning a handsome salary.

Another employee, a young mother whose only means of support for her family was public assistance, was hired as a a part-time employee in 1983. She has since been promoted to an assistant manager, and views her career within Pizza Hut as an opportunity to learn and grow. She is no longer receiving government assistance from other programs and is now a tax-paying member of society.

In yet another case, in Gallup, New Mixico, a second restaurant opened this year with almost half of the employees certified under TJTC. With the exception of one, these fourteen full-time/part-time employees are American Indians. The only non-Indian TJTC employee is the assistant manager, who began with us as a part-time cook certified under the TJTC program.

The manager of the older Pizza Hut, who more than doubled the volume sold during a three-year period, has been transferred to manage the new store, bringing with him his five TJTC employees. The older restaurant is now staffing with new TJTC employees.

Pizza Hut strongly urges the continuation of the TJTC program for another five years. TJTC has provided economic self-sufficiency for many individuals who may not have had the opportunity to become part of the mainstream labor force in America.

PUP'N' TACO DRIVE UP,
Long Beach, CA, March 15, 1985.

JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR SIR: I want to register my strong oppositon to any extension of the "Targeted Jobs Tax Credit".

We are a regional fast food chain employing aproximately 1,000 part time and 300 full time. We have taken advantage of both the former "New Jobs Credit" and the current "Targeted Jobs Tax Credit".

In spite of the fact that we have taken advantage of these credits we have never hired an employee that we would not have hired in the absence of these credits. My discussions with other business people has convinced me that the "Targeted Jobs Tax Credit" plays no part in the hiring decision for most employers, but only is considered afterward as a means of reducing taxes.

The benefits of the "Targeted Jobs Tax Credit" program flow to employers and to the many businesses that seek to help employers to "qualify" people whom the employer has already decided to hire.

I believe that with our huge federal deficit taxpayers cannot afford this program which is a giveaway to employers and which does nothing to provide new jobs to the targeted groups.

Respectfully,

ROBERT P. RICE,
Chief Financial Officer.

MATTHEW J. RINALDO
7TH DISTRICT, NEW JERSEY

COMMITTEES:
ENERGY AND COMMERCE
SUBCOMMITTEE:
TELECOMMUNICATIONS, CONSUMER PROTECTION AND FINANCE
(RANKING MINORITY MEMBER)
SELECT COMMITTEE ON AGING
(RANKING MINORITY MEMBER)
SUBCOMMITTEE:
HUMAN SERVICES

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March 15, 1985

The Honorable Charles Rangel
Chairman
Subcommittee on Select Revenues
Committee on Ways and Means
2330 Rayburn Building

Dear Mr. Chairman:

As original cosponsors of H.R. 1512, legislation to extend the Targeted Jobs Tax Credit (TJTC) and include as a targeted group for such purposes economically disadvantaged individuals over the age of 55, we urge you to act favorably on this legislation.

Congress first passed the targeted jobs tax credit in 1978 to assist hard-to-employ individuals in finding employment in the private for-profit sector. The credit is available for taxable employers who hire individuals from any of nine target groups, including "economically disadvantaged" youth, Vietnam veterans, ex-convicts, vocational rehabilitation referrals and Supplemental Security Income (SSI) recipients.

Unfortunately, the only targeted group which includes a substantial number of older individuals is SSI recipients, which, according to the Congressional Budget Office, is the least served category in the program. Moreover, to be eligible for SSI on the basis of age, one must be 65. Many mature individuals face serious obstacles to employment well before they reach age 65. Testimony before House Select Committee on Aging hearings in the 97th and 98th Congresses revealed that older individuals suffer rampant age discrimination in obtaining and retaining jobs (the Equal Employment Opportunity Commission reports that age discrimination complaints are at record highs) and endure much longer periods of unemployment than do younger workers. Frustrated at their inability to find suitable work, many older individuals permanently withdraw from the labor force and travel down an irreversible path of economic, physical and emotional decline.

Approximately 9.2 million individuals over the age of 55 meet the TJTC definition of "economically disadvantaged"—virtually the same population eligible for assistance under Title V of the Older Americans Act and the special set-aside under the Job Training Partnership Act (JTPA). Yet, Title V in the current fiscal year will provide only 64,000 part-time jobs, serving less than one percent of those eligible. Likewise, the JTPA reaches only a small fraction of those older workers eligible for special job training and placement assistance.

Amending the TJTC to include low income older workers will demonstrate further Congressional commitment to the needs and rights of this segment of society and would implement a major recommendation of the 1981 White House Conference on Aging. Older individuals want to remain independent, productive, taxpaying members of society. This legislation will help ensure that many more will have the opportunity to do so.

Sincerely yours,

Matt Rinaldo
MATTHEW J. RINALDO
Ranking Minority Member,
Select Committee on Aging

Ed Roybal
EDWARD R. ROYBAL
Chairman,
Select Committee on Aging

Claude Pepper
CLAUDE PEPPER
Chairman, Subcommittee on Health
and Long-Term Care,
Select Committee on Aging

Mario
MARIO BIAGGI
Chairman, Subcommittee on Human
Services, Select Committee
on Aging

Tom Tauke
TOM TAUKE
Ranking Minority Member,
Subcommittee on Retirement Income,
Select Committee on Aging

Jim Jeffords
JAMES M. JEFFORDS
Ranking Minority Member,
Committee on Education and Labor

Dale E. Kildee
DALE E. KILDEE
Chairman, Subcommittee on Human
Resources, Committee on Education
and Labor

Matthew G. Martinez
MATTHEW G. MARTINEZ
Chairman, Subcommittee
on Employment Opportunities,
Committee on Education and Labor

cc: Subcommittee Members

ROBERTSON FACTORIES, INC.,
Taunton, MA, March 20, 1985.

JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. DOWLEY: Robertson Factories, Inc. is asking for your help in extending the Targeted Jobs Tax Credit program—Bill H.R. 983, which extends the program through December 31, 1990, increases the amount of credit from $6,000 to $10,000, and liberalizes the definition of economically disadvantaged families. This program is of significant consequence to my Company as it helps to reduce the extremely high cost of training entry level personnel.

By extending this program, both businesses and trainees alike would benefit as it provides a mechanism for defraying the extremely high cost of training employees, while providing a growth potential for the marginally—skilled worker. This program also helps the financially disadvantaged employee seek out his credit in order to obtain gainful employment. In this way, the Government is creating an environment for these individuals to add to the value of our economy.

Robertson Factories have actively hired many T.J.T.C. individuals since the inception of this program to work in our various plants scattered throughout the United States; therefore, we realize the value of this program for our new employees. Please inform me as to what other paperwork or contracts are necessary to insure the extension of this program.

On behalf of the employees of Robertson, I thank you for your assistance in helping to support the continuation of the Targeted Jobs Tax Credit program.

Sincerely yours,

JEAN A. PYSZ,
Personnel Director.

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and Members of the Subcommittee: Thank you for the privilege of presenting to this distinguished Subcommittee the views of the Veterans of Foreign Wars of the United States.

My name is Donald H. Schwab and it is my privilege to serve the more than 2 million men and women of the Veterans of Foreign Wars as their National Legislative Director.

The Targeted Job Tax Credit (TJTC) Program was established to encourage employers to provide employment and training for certain economically disadvantaged persons. Members of the targeted groups include a vocational rehabilitation referral, an economically disadvantage youth, an economically disadvantage Vietnam-era veteran as SSI recipient, a general assistance recipient, a youth participating in cooperative education program, an economically disadvantaged ex-convict, an eligible work incentive employee, an involuntarily terminated CETA employee and a qualified summer youth employee. During the past year, the Targeted Job Tax Credit Program was instrumental in enabling some 563,000 disadvantaged workers to find gainful employment of whom 5.14 percent were Vietnam-era veterans. The estimated revenue loss to the Department of the Treasury in the fiscal year 1984 attributable to TJTC is $350 million which equates to $622 per placement. By way of comparison, it is reported that each placement under the "Comprehensive Employment and Training Act (CETA)" costs $10,000.

Mr. Chairman, the Administration's proposed fiscal year 1986 budget will allow TJTC to expire on December 31, 1985. H.R. 983 introduced by you and cosponsored by Messrs. Wheat and Campbell would extend the life of this program until December 31, 1990, and make other improvements to further stimulate employer participation. H.R. 1512 introduced by the Honorable Matthew J. Rinaldo and cosponsored by Messrs. Roybal, Kildee, Biaggi, Jeffords, Martinez, Tauke, and Pepper would extend TJTC until December 31, 1986, and add to the targeted group any individual who has attained age 55.

The VFW supports extension of TJTC and our current resolution, Resolution No. 641, entitled "Modify Targeted Job Tax Credit (TJTC) Program" is appended to my testimony. In addition, Mr. Chairman, the VFW recommends the following:

1. That the tax credit be increased to $10,000 as stipulated in section (2)(A), H.R. 983;
2. Expand the eligibility criteria to include those groups listed in section 302(a)(1), (2) and (3) of Public Law 97-300, the "Job Training Partnership Act";

3. Delete from section 51(d)(1)(C) of the Internal Revenue Code "an economically disadvantaged Vietnam-era veteran" and substitute therefore the definition of an eligible veteran as enunciated in 38 USC 3011(4); and

4. Add to the targeted group those having attained age 55 as stated in section 2(b) of H.R. 1512.

In conclusion, Mr. Chairman, permit me to express the appreciation of the VFW for your continued interest in the well-being of our Nation's veterans by both this Subcommittee and the full committee.

Thank you.

RESOLUTION NO. 641: MODIFY TARGETED JOBS TAX CREDIT [TJTC] PROGRAM

Whereas, the Federal Government has instituted a TJTC Program to encourage employers to hire certain veterans, economically disadvantaged persons, and ex-felons. The requirements used to determine veteran eligibility for the program severely limits veteran participation; and

Whereas, today, veterans of any age may be displaced from jobs of long standing, therefore, many veterans must be retrained or begin work in new occupations, therefore, all veterans should be deemed eligible for TJTC, thus providing a greater incentive for employers to hire or train veterans as well as ex-felons of any age; now, therefore

Be it resolved, by the 85th National Convention of the Veterans of Foreign Wars of the United States, that we support legislation to amend regulations pertaining to TJTC to allow all veterans to be certified eligible to participate in TJTC, regardless of age, economic status, or other criteria.

Adopted by the 85th National Convention of the Veterans of Foreign Wars of the United States held in Chicago, Illinois, August 17-24, 1984.

VOCATIONAL EXPLORATION SERVICES, INC.,
Van Nuys, CA, March 21, 1985.

JOSEPH DOWLEY,
Chief Counsel, Committee on Ways & Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. DOWLEY: I am writing regarding Bill #HR983. I would urge you to encourage House members to pass this bill which authorizes the extension of tax credits to employers hiring disabled individuals.

The Targeted Jobs Tax Credit Program has resulted in hires of injured workers and disabled individuals which might not have otherwise occurred. This tax credit has resulted in returning many disabled individuals and injured workers to gainful employment whom might otherwise have remained on Welfare rolls. It is certainly a cost effective program and, failing to pass it, would seem a major mistake to say the least.

I am a vocational rehabilitation counselor working with industrial injured workers in California. I can say from personal experience that Targeted Jobs Tax Credit has been instrumental in returning some of my clients to gainful employment.

Very truly yours,

KATHLEEN SELLING LAMBERTH, M.A.,C.R.C.,
Vocational Consultant Supervisor.

YELLOW FREIGHT SYSTEM, INC.,
Overland Park, KS, March 22, 1985.

JOSEPH K. DOWLEY,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. DOWLEY: We wish to express our support for H.R. 983 which would extend the Targeted Jobs Credit to December 31, 1990 and increase the amount of eligible wages to $10,000. This credit provision is a necessary and useful vehicle to help disadvantaged individuals obtain employment that they might otherwise not be able to obtain.

Since February, 1984 we have had one hundred fifty new employees qualified under the current jobs credit program. Both the employes and Yellow Freight

System, Inc. have benefited from this program and we strongly endorse passage of H.R. 983 to extend these benefits.

Yours truly,

P.J. Brough,
Tax Director.

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